

TOWARD A POLITICAL-ECONOMIC SOCIOLOGY OF UNEMPLOYMENT:  
RENEWING THE CLASSICAL RESERVE ARMY PERSPECTIVE

by

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## DISSERTATION ABSTRACT

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Title: Toward a Political-Economic Sociology of Unemployment: Renewing the Classical Reserve Army Perspective

The following study is concerned with the problems posed by contemporary unemployment—especially the U.S. but also globally to some extent. The most immediate problem is the dominance of neoclassical models, which routinely neglect the deeper issues raised by contemporary mass unemployment. To go beyond these inadequacies, the study also assesses the performance of sociological interpretations. One key finding is that sociological analyses also largely fail to provide a compelling theory of unemployment and, moreover, that most perspectives implicitly adopt problematic assumptions from neoclassical economics. This highlights the dual nature of the problems posed by unemployment: on one hand, it is an urgent social issue; and, on the other hand, it exemplifies significant weakness within most sociological paradigms.

In order to address the challenges posed by unemployment, the narrative centers on the resolution of three key anomalies of unemployment: 1) persistent unemployment; 2) so-called “jobless recoveries;” and 3) the rise of worker precariousness. The anomalies

are taken as evidence of paradigmatic contradictions within neoclassical economics and, to some extent, sociology.

The main theoretical contribution of the study is a careful reconstruction of Marx's classical theory of the reserve army of labor (part of "The General Law of Accumulation"), which has inspired all critical sociological perspectives on labor markets to date. The investigation highlights distinctive characteristics of "political-economic sociology," a term that refers to economic sociologists who draw heavily on notions of class and power reminiscent of classical political economy and classical sociology, forming an important bridge with heterodox economic approaches.

The theory of the reserve army is in need of "renewal," however, because even political-economic sociologists have failed to carry the analysis forward and build upon the firm foundation provided by Marx. The study's conclusion is that the reserve army framework has enormous potential to strengthen existing work within political-economic sociology.

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Producing this work has been the most difficult challenge I have ever undertaken; it has also been the most satisfying. As I struggled along, I was constantly reminded of the

lessons learned from my earliest mentors: Dr. Orin Gelderloos and Dr. John T. Lehman (JT). Orin inspired my early fascination with ecology and demonstrated that rigorous scientific analysis, uncompromising ethical standards, and a palpable urgency to change the world could be combined unproblematically so long as one was honest and genuine. If it were not for JT, I would never even have started graduate school. JT taught me what would be required to become a scientist, applying the same standard to my work as his own without question; but he balanced that pressure with intensive mentoring, endless patience, and steady encouragement. Without really knowing it, JT had groomed me for grad school, from arranging teaching appointments to co-authoring my first publication.

I feel extremely lucky to have found a mentor with all the great qualities of Orin and JT. My dissertation chair, Dr. John Bellamy Foster, not only advanced my theoretical grasp of political economy at a rapid and continuous pace, guiding me through each stage of the process—he also gained my deepest personal respect along the way. John’s influence extends far beyond that of mentor—he is a sterling example of what it means to be an intellectual, and not simply an intellect worker. Given the significant extent of our collaboration it is fitting that I use the subject “we” in the narrative below (excluding Ch. 1). However, the customary proviso applies no less to John as everyone else mentioned above: any mistakes or confusions that may exist are mine alone.

Such experiences inevitably reveal the power of a strongly connected family. In this vein, I must acknowledge my loved ones in the mitten: John & Nidhal, Vincent & Joanne, and Kris & Dave. Carrie Ann, one of my adopted parents on the West coast, has been no less important in all of the ways that count. Last, and far from least, I could not have asked for more loving care than I received from my partner, Lauren.



## DEDICATION

For two patient parents,  
Nidhal and John,  
and one magnificent sister,  
Kris.

For the unemployed:  
may this help us struggle  
in unity and strength.

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# CHAPTER I

## INTRODUCTION

### **A. Occupy and the ‘New Normal’**

In October of 2011 work on this dissertation stopped abruptly and unexpectedly for about 8 months when I was swept up in an “Occupy” encampment in Eugene, OR.<sup>1</sup> The decision to ignore entirely my writing regimen and organize with Occupy instead was not a difficult one to make even though I was on schedule to defend the upcoming fall. More than three years after the Great Financial Crisis of 2007-08 the unemployment rate had barely moved, the financiers had not only been bailed out but were being given even more power and the news media was preparing workers to accept a “new normal” unemployment rate somewhere between 7 and 8 percent (Weidner and Williams 2011; Madigan 2010). “The ‘new normal,’ as it has come to be called on Wall Street, academia and CNBC,” one commentator explained, “envision[s] an economy in which growth is too slow to bring down the unemployment rate, while the government is forced to intervene ever more forcefully in a struggling private sector. Stocks and bonds yield paltry returns, with better opportunities available for investors overseas” (Schwartz 2010).

These portents have proven correct. Having followed the business press, filing away article after painful article on the economic, social and psychological impacts of

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<sup>1</sup> Occupy Eugene (“Occupy,” hereafter), as our local movement was called, was part of the nationwide movement stimulated by the September 17, 2011 occupation of Zucotti Park on Wall Street in New York City.

unemployment it became more and more difficult to hide myself away writing with the knowledge that thousands within the small town of Eugene alone would have their lives turned to ruin. A much darker fate was falling upon those in my home state of Michigan, where the strongly disproportionate racial impacts (upon mostly black and Latino(a) minorities) reflective of the nation as a whole, were painfully evident. For the vast majority of the long-term unemployed, confidence and skills steadily erode; “marketability” declines precipitously due to widespread and perfectly legal discrimination (Editors 2013); family ties strain; and health deteriorates (Dooley and Prause 2004; S. J. Davis and Wachter 2011; Borie-Holtz, Van Horn, and Zukin 2010). Whether it was a friend, a friend of a friend, or just someone panhandling on a corner, I could not ward off a deep because my research indicated that the problem of unemployment, dire as it was, would likely worsen. I was also frustrated. Here I was intensely researching unemployment during the birth of a movement focused on unemployment and economic justice, yet I was not sharing my analysis with others—analysis that was intended specifically to clarify the issues at hand and help guide efforts to resist. Occupy was therefore not only a surprise: it was an enormous and welcome relief.

I often joked to people who asked about my experience in Occupy that I learned more about my community in Eugene in eight short weeks than the whole of the previous 10 years. Part of my insularity undoubtedly had to do with being nestled away in the ivory tower but I had found plenty of opportunities to engage with the broader community in the past. The difference was that participants in Occupy were engaged in struggle *as a community*, not simply as consumers or a *mélange* of identities. Of course, uprisings of



this sort occur with unfortunate rarity in the U.S., and what we were doing could hardly be described as a “movement” in those early days, particularly because so much energy was required simply to see and hear each other openly, with patience and understanding—and without suspicion.

Even if the enormous amount of organizing energy necessary to forge solidarity and discipline had been available in excess at the start of Occupy, it would have dissipated before leaving hardly a trace shortly after the 24/7 encampments began. Within hours an effervescent mixture of street kids, recent evictees, jobless ex cons, war veterans, panhandlers, drug addicts and mentally ill (or combination thereof)—collectively referred to as the “unhoused” (at least in Eugene), and which largely corresponded to the “pauperized” layer of the reserve army of labor in Marx’s terminology (see Chapter VII.C.4)—descended with enormous weight upon Occupy encampments across the country. These individuals did not have the “privilege” of being categorized as “unemployed” by the state—for the latter group there was at least some pittance available for a period of time. As in most U.S. cities, the only thing the unhoused got for free was a bus pass to leave town and incessant harassment from police.

Straining to accommodate this new group of Occupiers, the social service function of Occupy immediately came into conflict with its broad movement demands. However, it was not simply the scale of human tragedy in the form of the unhoused that early plagued the Occupy uprising. Inculcated with the dominant liberal individualist ideology of capitalism, a large number of well intentioned Occupy activists were strongly prejudiced toward one or all segments of the unhoused. This came out in a number of ways but the intolerance reached its peak when a significant number of “housies” (the derogatory term

coined by the unhoused for Occupiers with homes) proposed to restrict entry into the encampments by permanently removing “non-activists”—aka, the “unhoused.” The proposal was defeated but Occupiers never bridged the rift it created. Despite the tumult, the encampment had up to this point remained an impressively vibrant center of organizing, education, social service projects and the fulcrum of several impressive cross-issue collaborations. Nonetheless, Occupiers began to polarize strongly.

As a fierce proponent of solidarity across racial, sexual, ethnic and class lines, I fought as hard as possible to prevent the divide from widening. Even though a segment of the local media displayed a surprising amount of deference and even encouragement, at least with respect to its typical behavior toward progressive movements, public support rapidly turned to derision as Occupiers pushed the issues of the unhoused to the forefront. Occupiers generated hundreds of compelling video, audio and written accounts of the lives of the unhoused, clearly revealing systematic barriers that only the poorest members of the community had the misfortune to confront. Around this time I wrote a guest editorial for the local paper<sup>2</sup> that attempted to contextualize the problems of the unhoused, and appeal directly to the activists and community members estranged by Occupy’s support for the cause of the unhoused. Yet this and numerous similar efforts were met by some of the most vicious attacks on the poor I have ever witnessed. These attacks were not limited to the cyber sphere, they reached unhoused Occupiers directly at our final encampment site in Eugene.

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<sup>2</sup> “Occupy Eugene Isn’t Just a Protest, It’s a New Community.” *Register-Guard* (Dec. 12, 2011).

## **B. A Moment of Dignity**

After moving hundreds of people and thousands of pounds of supplies and equipment four times in as many weeks, the occupation rooted strongly at Washington/Jefferson Park. This was not so much a “park” as it was the necessary architectural byproduct of the two largest overpasses in Eugene, beneath which lay a small, grassy area bordered on all sides by busy roads and virtually abandoned but for the occasional drug transaction. Its central location ensured that the Washington/Jefferson encampment received relatively constant media attention—which grew progressively more negative as the days ticked on and protests and lockdowns sprang up with increasing regularity around town. With some help from a few housies a large group of unhoused Occupiers organized, created a set of community agreements, and made an admirable effort to undermine criticisms of the site by keeping the encampment free of drugs and violence, and addressing the local media. Nonetheless, city residents expressed their scorn by honking incessantly and hurling insults—the favorite being, “Get a job you hippies!”—during the early morning traffic rush, making it impossible for people staying at the encampment to get the most essential of requirements for healthy psychological functioning: rest.

Within days this situation came up for discussion at a “community conversation”—an event created by Occupy to encourage community involvement and address concerns about the encampment. As a response to the ill treatment by morning commuters, an occupier explained that he had been interviewing people at the site about their former employment. He discovered that many of them had only recently become unemployed and possessed a wide range of skills—from carpenters, roofers, and engineers to teachers, cooks, and cleaners. He decided to put in a financial request for “signs...on laminated

card stock with ground stick.” The idea was to make “help available” signs listing the skills of each person staying at the site, with their phone number at the bottom.<sup>3</sup> He carried out the plan and eventually lined the streets surrounding Washington/Jefferson with dozens of “help available” signs. The early morning honking and yelling stopped the next day and Occupiers at the encampment reveled in a moment of dignity—fought for, and won, on their own.

To my knowledge none of the Occupiers got hired for any work—there was clearly none to be had. The Occupiers were not naïve; they knew it was highly unlikely they would get any calls given the extent of underemployment and hidden unemployment. To most people I spoke with it was quite enough that our comrade’s idea was a public relations coup; at most, it represented a potential model upon which to build a local system of work sharing or worker’s cooperatives. Naturally the significance of the whole event went much deeper for me.

### **C. Contradictions of Joblessness**

We had come up with an ingenious response to the cruel behavior of the commuters but the idea encouraged me also to think much more critically about my own work and how it could help. I realized that even if, hypothetically, the Occupiers took the logical next step of, for example, pressuring the city council to create some decent jobs, the tensions between employed and unemployed would resurface, and to a much more

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<sup>3</sup> The community conversation occurred on December 5, 2011 at Harris Hall; Ronnie Jeffrey, the occupier that came up with the idea, formed a committee, “Get a Job, Share Skills,” and started to make signs a few days later. The quote is taken from a finance committee financial request report email from Jeffrey dated December 7. The University of Oregon Library’s Special Collections department began archiving materials like these within weeks of the start of the occupation.

intense degree. For Occupiers even to begin such a campaign it would be necessary to develop a deep and penetrating critique of the existing system of employment, as well as the origins and dynamics of unemployment. Next, it would be essential to forge virtually unbreakable links between the jobless and employed—rooted not only within unions, but across professional organizations, occupational and industrial groups, neighborhoods and cities, and even within and across nations. These potentially insurmountable difficulties would inevitably arise because the whole system of employment hinged upon competition *between* workers; and the requirements of growth further necessitated the existence, at all times, of an enormous layer of underemployed and unemployed humans—what Marx had called “a reserve army of labor.” I was organizing with the reserve army of labor.

In terms of strategy, I could hardly think of a more appropriate goal than abolishing the reserve army. In fact, whenever I was asked to speak I subtly pushed the idea by arguing for a statewide jobs campaign—jobs as a right. The impressive extent to which Occupy seemed to provide a foundation for building cross-issue movements certainly heightened my expectations and excitement about a jobs campaign. After thinking through possible courses of action more critically in response to our comrade’s clever act of defiance, however, I was no longer confused about why the jobs campaign failed to garner any serious interest. To articulate a strategic focus with regard to a problem as fundamental as unemployment, it would be necessary to address coherently a set of contradictions broadly extending from the dynamics of the macroeconomy to the evolution of the labor process, and even to the history of the wage labor relationship itself. Part of the problem was that my analysis of unemployment was still largely

underdeveloped theoretically. In addition, the economic system itself was in a deep stage of crisis that was causing an acceleration of key processes governing employment and unemployment. This meant that existing contradictions, such as the internationalization of production, were further intensifying. Yet the system was also rapidly generating new contradictions, like financialization, with far reaching effects on employment relations. Consequently, I concluded that it was impossible for me to develop a clear strategy around joblessness within Occupy at the time. Of course, as mentioned above, there were many other limitations inherent to the movement itself, but I became convinced that an analysis of joblessness sophisticated enough to grapple with new and existing issues would be essential to make the stated goals of Occupy a reality. In order to advance strategic organizing around these issues people needed vocabulary and concepts that were simply unavailable to them—neither the media nor their education would be any help.

Unsurprisingly, these realizations inspired me to return to my dissertation research with renewed vigor. It was exciting to identify several new and important issues, but I had still not even fully addressed several existing barriers. The most significant of the latter was undoubtedly that “a sociology of unemployment” was simply non-existent. In other words, there was literally no basis upon which to build a comprehensive sociological theory of unemployment. I was even more surprised to find that even the more critical traditions existing on the margins of sociology and economics lacked a comprehensive analysis of unemployment, especially in its macroeconomic dimensions.

This helped to explain my realization that our whole understanding of the problem of unemployment was woefully inadequate; it also meant I had no place to start, which was a serious problem. There was obviously no justification for restricting attention to the

newest or most popular phenomena linked to unemployment—such as financialization. It was also pointless to launch a critique within economics proper since the Great Financial Crisis of 2007-08 completely undermined the validity of the dominant economic theories of unemployment—economists themselves conducted the autopsy. Moreover, it seemed totally inappropriate to ignore the more fundamental contradictions that had surfaced. How could it be that social scientists *as a whole* had largely failed to provide a coherent analysis of unemployment, let alone give the problem adequate attention (outside of mainstream economics)?

#### **D. Systematizing the Analysis**

The contradictions expressed above obviously placed a number of conditions on the present study. In response to the challenges, I have tried to systematize the analysis, focusing attention on problems that assert logical priority while anticipating the need for additional study in several key areas. The central goal is to begin building an analysis of unemployment upon entirely new foundations, anchored within classical sociological theory. An important advantage of this method is that it allows me to address the deafening silence on unemployment within sociology positively, by focusing on the power and relevance of a sociology theory located squarely within the classical canon yet entirely independent of mainstream economics: Marx's general law of accumulation. Marx's general law proves to be an extraordinarily powerful lens through which to analyze unemployment, and offers numerous opportunities to assess and integrate the work of a broad range of dissident sociologists, economists and political scientists.

In building upon Marx's general law I am adopting a paradigm that is completely incompatible with the existing, dominant paradigm of neoclassical economics. In this

situation it was natural to highlight aspects of unemployment that manifest as scientific anomalies within the neoclassical paradigm. I identified persistent unemployment, “jobless recoveries,” and worker precariousness as the most salient anomalies. The narrative is guided by an investigation into these anomalies, revealing that they are not anomalous at all when viewed through a different paradigmatic lens.

Several important and relevant problems are necessarily left out or only discussed in passing and two of these deserve explicit mention due to their importance to the overall analysis: the origins of wage labor and the general theory of wages. The problem of the origins of wage labor is especially relevant to my discussion of the latent surplus population (Chapter VII.C.2), which implicitly assumes an historical process of primitive accumulation—or “*Original Expropriation*” in Marx’s more apt phrasing (1976, 13, book 2)—working in the background. However, the necessary, self-imposed limitations of the present study kept me from a full exposition of Marx’s analysis in this respect. There is no attempt here to account for the historical origins of wage labor. Needless to say, “employment” under conditions of monopoly capital hardly represents an unproblematic solution to “unemployment” (on this point, see Illich 1978). The root problem lies in the separation of workers from the means of production.

Likewise, in the discussion of the general law itself (Chapter VII.A) there are numerous references to wage levels and wage rates. However, neither here, nor later in the analysis when I introduce the problems of monopoly (Chapter VIII.B), do I provide a theory of the determination of wages. As is well known, Marx himself never lived to write his projected volume on *Wage Labour* and to the extent that such a classical theory of wages could be said to exist it has to be altered significantly to account for the rise of



monopoly (see Chapter VIII.B.2). Recent work on this problem is quite promising—see, for example, Foster (2012) and Baran and Sweezy (2012).

Lastly, what contemporary social movements have taught us is that a truly comprehensive theory would have to address the *real working class*, consisting today preponderantly of women and people of color (“minorities” in advanced capitalism). As the example of “Rosie the Riveter” in the 1940s (discussed briefly in this thesis) and the phenomenon of the “new Jim Crow” today suggest (Alexander 2011), a complete analysis of the reserve army has to embrace issues of gender and race—more fully than I was able to do here.

This thesis is then just a beginning. It is an attempt to demonstrate the shallowness and futility of the dominant neoclassical economic conception of unemployment (also prevailing in economic sociology) and the superiority of a wider, more radical perception of unemployment, building on Marx’s industrial reserve army of labor conception. The approach here is *classical*, in the sense of relying on Marx, but it is no less radical and forward-looking, since it is grounded as well in insights derived from the Occupy movement and the recognition that the unemployed, the “precariat,” the impoverished, and the homeless, represent a large and growing part of the 99 percent: “Those in darkness, out of sight.” (Bertolt Brecht, *The Threepenny Opera*, as translated in Braverman 1998, 1)

## CHAPTER II

### UNEMPLOYMENT AND THE GREAT FINANCIAL CRISIS OF 2007-08

The severity of the Great Financial Crisis of 2007-08, and the ensuing Great Recession of 2007-2009 (Foster and McChesney 2012; Harvey 2010a; Krugman 2012a),<sup>4</sup> painfully exposed the problem of mass unemployment. Nearly six years on, the unemployment rate has hardly budged in the U.S. while it has skyrocketed around the world. Developed countries in particular have focused considerable attention on unemployment as a barrage of reporters and analysts, fueled by the persistence and severity of the crisis, have routinely questioned the conventional wisdom (Rothstein 2012; Krugman 2012b; Romero 2012). Indeed, the majority of mainstream economists were blindsided by the Great Financial Crisis, and this not only exposed an incapacity to explain the severity of the downturn and hence the level of recession-induced unemployment (Krugman 2012b), but, more fundamentally, the existence and persistence of chronic conditions of unemployment and underemployment. This can be attributed in part to the short time horizon of many economic models, which in this case go no further than the bursting of the housing bubble (Palley 2012, 26). Analyses typically focus on business cycles—assumed to have a logic external to economic theory proper, but that can be tamed—to the neglect of long-term and cumulative problems like stagnating growth and secular unemployment (F. Magdoff and Magdoff 2004; Cowen 2011, 5-6; Du

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<sup>4</sup> The “Great Financial Crisis” instigated the “Great Recession.”

Boff 1977a). Yet, despite the fact that the sheer scale of the crisis—and the utter failure of key regulatory institutions to prevent widespread illegality—shook the faith of many economists deeply (DeLong 2011), the contradictions made visible by the crisis continue to increase.

Economies may recover from slumps (Cronin 2011); productivity may increase (Fleck, Glaser, and Sprague 2011); multinational corporations may be flush with cash due to record profits (Fleischer 2012; Casselman and Lahart 2011; I. McDonald 2006; Linebaugh 2013); interest rates may crash through the floor; and real wages may drop or even stagnate entirely (Hansen 2005; ILO 2010; Uchitelle 2011): yet still capitalist economies appear less and less able to absorb the available workforce for any significant period of time. At the time of this writing, the crisis of jobs has developed into a persistent global phenomenon racking nations along the entire spectrum of wealth (but disproportionately so, as usual). Meanwhile, odd-sounding phenomena like “sticky wages,” “stiff labor markets,” etc., seem to indicate little more than an accumulation of paradoxes (Adler 2009).<sup>5</sup>

### **A. The Importance of Unemployment**

In this context, the assessment of social scientific explanations of critically important social problems like unemployment is not simply convenient, but essential. Yet there is

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<sup>5</sup> It is worth noting that economic paradoxes of this sort often form the subtext for prejudicial, and often xenophobic, stereotypes. For example, the suggestion that Greek workers are lazy, and that this is the root cause of the economic crisis and need for a bailout, has no factual basis whatsoever (C. McDonald 2012). The fact that such nonsense still litters the communication waves underscores not only the failure to explain economic crises adequately, but also how the problematic assumptions of economists consistently work their way into mainstream discussions when left unchallenged.

hardly any sign of new theoretical innovations on this question. What one observes instead is an uptick in bickering across the narrow divide within mainstream economics, and the repeated failure of one narrow explanation after another when confronted with simple descriptive data. Most disconcerting is the fact that economists have somehow managed to maintain their monopoly over the analysis of unemployment in spite of these weaknesses.

### *1. Paradigmatic Significance*

It should come as no surprise that while the motivation of the present study is, indeed, to be found in the crisis of unemployment, theoretical priorities extend beyond provision of yet another explanation of the present incarnation of mass unemployment. From our standpoint, the increasing extent to which persistent unemployment and underemployment contradict the “accepted model or pattern” of mainstream economics indicates an inability to account adequately for urgent social scientific anomalies (Kuhn 1996, 23). As both Kuhn and Lakatos argue, research traditions are always confronted with an assortment of unexplained facts, but the coherence of a paradigm cannot be maintained by choosing haphazardly among them. A genuine anomaly is distinguished by its paradigmatic or theoretical *priority*. Accordingly, we argue that the persistence, growth and diffusion of unemployment represents a genuine social scientific anomaly that logically asserts its theoretical priority, and necessarily raises paradigm-challenging questions (Kuhn 1996, 62; Lakatos 1989, 49-52).

The readily observable stagnation of theories of employment is indicative of what Lakatos (1989, 31-7) termed a “degenerative shift” in the research program of neoclassical economics—a shift we return to below in our discussion of Keynesianism.

From our standpoint the question of whether the standard economic approach to employment can account for the “ocean of anomalies” (Lakatos 1989, 50) surrounding unemployment has largely been settled in the negative. This does not mean that we make this judgment on the basis of unemployment alone,<sup>6</sup> or that we find it acceptable to ignore mainstream economics entirely. However, no more than a cursory assessment of the evidence is required to reach the conclusion that classical sociological approaches offer a much firmer foundation upon which to build a realistic theory of unemployment—and our energies are directed accordingly.

## *2. Practical and Theoretical Significance*

Apart from its obvious status as an urgent social issue, the significance of unemployment in the present analysis arises from the fact that 1) it represents a classic political-economic contradiction of capitalism, thus providing a basis to develop a classical sociological interpretation; and 2) it is a contradiction that necessarily penetrates the boundary between economics and sociology. The latter intersection is especially significant to our analysis. If we are correct in arguing that the classical foundations of sociological theory are more than adequate to resolve the anomalies of unemployment there is no justification for absolving contemporary sociology of its own paradigmatic failure with regard to unemployment. Thus, by extension, we argue that it is precisely the interpenetration of neoclassical economics and sociology (in the case of the U.S.) that

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<sup>6</sup> A critic within the discipline itself argued long ago that economics “is based on an epistemology, or method of establishing the validity of its knowledge claims, that runs counter to the norms of science” (Eichner 1985, 427); and a more recent assessment concluded that the shift from marginalist to neoclassical theory marked “a complete withdrawal from the scientific method” (Varoufakis, Halevi, and Theocaraki 2011, 154).

represents a significant hurdle to the development of a truly independent sociological theory of unemployment.

### *3. The Reserve Army and Political-Economic Sociology*

In response to the inadequacies of existing formulations of the problem of unemployment we argue that a return to Marx's classical theory of the "reserve army of labor"<sup>7</sup> is indispensable. While a number of important sociological studies have contributed to our understanding of unemployment, the approach developed here differs fundamentally from existing work by attempting explicitly to reintegrate macroeconomic theory into sociological analysis in building on "The General Law of Accumulation" (hereafter, "general law") developed by Marx, which centers on the reserve army of labor. There is a long history of sociological engagement with Marx's reserve army approach. Indeed, in many ways it defined a distinct subset of research we identify as "political-economic sociology," which refers to economic sociologists who draw heavily on notions of class and power reminiscent of classical political economy and classical sociology, forming an important bridge with heterodox economic approaches. The political-economic and sociological perspectives on labor markets that emerged in the

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<sup>7</sup> Denning has argued that "reserve army" has become a less useful metaphor because it constructs the growing mass of "wageless" humans—i.e., "those without wages, those indeed without even the hope of wage" (2010, 79)—as one-sided. The concern is that the reserve army makes reference to an old form of the accumulation process, while that of today has taken a more and more insidious form. We retain the use of the term for at least two reasons. First, it makes little sense to restrict the application of the reserve army to a specific phase of accumulation; and second, Marx thoroughly deepened the concept of the reserve army, and developed a comprehensive sociological categorization that linked the fates of employed, unemployed and non-employed. One must not forget that the "industrial war of capitalists among themselves.... has the peculiarity that the battles in it are won less by recruiting than by discharging the army of workers" (Marx 1976, 45, book 1).

1970s were inspired directly by classical reserve army theory, and these early theories still remain the foundation of much sociological work in this area (see Attewell 1984, Ch. 2).

In returning to a classical-Marxian analysis we aim to establish stronger foundations for a renewed reserve army approach. The hope is that by firmly grounding the analysis in classical sociology and continuing the fruitful engagement with radical political economy it will become clear that sociologists are fully capable of providing a wider, over-arching theory of unemployment in ways entirely unavailable to economists. This would be analogous to the way that thinkers such as Marx, Veblen, Weber, Schumpeter, Polanyi, and Mills used sociological concepts to unveil relations of production and power. Our main contention is that renewal of a classical interpretation of Marx's theory of the reserve army has enormous potential to improve existing theories within political-economic sociology.

#### *4. The Challenge of Unemployment*

However, a problem is presented by the fact that the phenomenon under consideration, unemployment, is either completely ignored or of subordinate importance in nearly all existing formulations. Indeed, even the existing approaches within political-economic sociology fall short, we will argue, of a deeper, sociological examination of unemployment, encompassing the full dimensions of Marx's classical approach. This is particularly the case with respect to the macroeconomic framework that has been implicitly adopted by the majority of political-economic sociologists through adherence to the "social structure of accumulation" perspective (see McDonough, Reich, and Kotz 2010), as discussed in Chapter VI. Such limitations make the construction of an

appropriate narrative quite challenging and calls for a special approach. It is not enough to provide an explanation for why unemployment is such a persistent issue: we must also investigate some of the deeper reasons for the social scientific failure to address the problem of unemployment in a comprehensive way.

In an attempt to address the dual nature of this problem, we frame our analysis around the identification, brief empirical assessment and eventual resolution of three key anomalies surrounding unemployment: 1) persistent unemployment; 2) so-called “jobless recoveries;” and 3) the rise of worker precariousness. These anomalies are widely recognized, of course, but their significance for the present analysis arises from the fact that they highlight deep contradictions within the paradigm of neoclassical economics—and by extension all formulations that take the latter as their basis, whether implicitly or explicitly. By providing simultaneous resolution of each of the three anomalies of unemployment we attempt to demonstrate that unemployment—only made more visible by the current crisis—can be explained within a renewed classical sociological paradigm that is fully independent of neoclassical economics.

## **B. Three Anomalies of Unemployment**

The first anomaly, persistent unemployment, is as old as capitalism itself. Economists are generally less concerned with addressing this contradiction than downplaying its severity. When this option becomes untenable, economists have attempted to absolve economics of any theoretical responsibility whatsoever. While there are at least some economists that have attempted to develop an explanation, this has not resulted in a coherent approach, let alone even tacit agreement over root causes. The persistence of



unemployment is thus linked with a wide and often contradictory set of phenomena<sup>8</sup> that are often combined arbitrarily, leading to little more than a theoretical muddle.

The second anomaly, in contrast, stands out as a genuine contradiction to economists because it defies assumptions about the mechanistic relation between economic growth and unemployment enshrined in “Okun’s Law” (Okun 1970). Instead of there being a rough correlation between growth and employment after a recession, “rebounds in aggregate output are accompanied by much slower recoveries in aggregate employment” (Jaimovich and Siu 2012, 6). Given that jobless recoveries have been occurring with increasing frequency over the last two decades (Manyika et al. 2011, 12-13), leading to what some economists have termed a “jobless recovery era” (Jaimovich and Siu 2012, 2), this anomaly is of particular interest.

For sociologists the third anomaly, worker precariousness, is indicative of the declining position of workers over the long-term and is associated with a lack of “labour-related security” ranging from sporadic employment and low income to dangerous working conditions and a lack of representation (Standing 2011, 7-13). Mainstream economics terms virtually the identical phenomenon “flexibility” and views it as an economic necessity: fully flexible labor markets conform to the ideal of perfectly functioning markets. In this view, which has been wholly adopted and enforced by the OECD and IMF, rigid institutional arrangements tend to produce “sclerotic labor markets” that lead to high unemployment (Howell 2005, 16-17). Although there has been a considerable number of studies of precariousness (see Vosko 2010 for an overview) we

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<sup>8</sup> To take a small handful of examples: business cycles, market efficiency (viewed as a ‘natural’ check on inflation), organized labor (seen as causing “sticky wages”), worker deficiency, technological change, etc.

argue that the relation between this anomaly and historical development of unemployment itself is far from incidental,<sup>9</sup> as in most accounts.<sup>10</sup>

### **C. Logical Development**

The analysis begins with a brief discussion of the development of mainstream economic perspectives on unemployment, which continue to dominate or frame most analyses despite consistently failing to provide coherent explanations. It then moves on to an analysis of the relationship between economics, sociology, and political-economic sociology. At this point it is possible to provide a critique and tentative resolution of the general problem of unemployment at the macroeconomic level (Chapter III.C.2). This is an essential precondition to developing an alternative model of unemployment (at lower levels of abstraction) so we return to this model at various points in the analysis.

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<sup>9</sup> Many European sociologists use the term “precariat” to refer to a new class of (younger) workers who experience all of the main dimensions of precariousness (Standing 2011, 7). Appay (2010, 34) explains that the term precariat “emanates from a contraction of the words ‘precarious’ and ‘proletariat.’ It regroups the unemployed and the precarious (manual and intellectual) workers in struggle in all sectors of activity.” This is in line with the current approach, with the significant exception that we provide an explicit macroeconomic analysis rooted in Marx’s theory of the reserve army of labor.

<sup>10</sup> From the moment French social scientists introduced the term “precariousness,” they strongly emphasized its historical dimension, having in mind the reversal of gains made by labor at the end of the Great Depression and through the post-World War II economic boom. In this view the attempt by capital to create more “flexible” labor arrangements was nothing more than a thinly veiled attack on the social rights won by workers. However, in the U.S., sociologists typically conceptualize the same phenomenon rather ambiguously as a widening gulf between “good jobs” and “bad jobs” (Kalleberg, Reskin, and Hudson 2000; Kalleberg 2011). Moreover, there is a tendency (explicitly or implicitly) to adopt the model suggested by the Social Structure of Accumulation (SSA) approach (discussed below), which boils down to a search for accumulation patterns stabilized by a “social contract between organized labor and organized capital” (Kalleberg 2012, 440).

Attention then turns to an empirical survey of selected dimensions of unemployment, with a specific focus on the three anomalies of unemployment (Chapter IV). While there is little disagreement about the contemporary existence of the three anomalies (persistent unemployment, jobless recoveries or precariousness), the same cannot be said of their root causes. Thus, while the analysis in Chapter IV takes official statistics for granted, the focus in Chapter V turns to the critical development of the concept of unemployment itself, explaining how official statistics not only mask the existence of a significant number of ‘potential’ workers, but also greatly confuse efforts that attempt to identify the source of unemployment. Here the emphasis is on the insightful contributions of a handful of post-World War II social scientists and heterodox economists who participated in important debates over the statistical construction of unemployment; and thus took a critical stance on official statistics, ultimately preferring categories that closely approximated those developed by Marx. The threads of early post-World War II analysis are then followed into the 1960s and ‘70s, when political economists, and eventually sociologists, began to develop comprehensive theories of labor markets and, to a lesser extent, of unemployment (Chapter VI).

In Chapter VII the insights of earlier sociological theories are assessed critically in relation to Marx’s classical formulation of the general law. In order to establish a more powerful critique, this includes a reconstruction of the Marx’s general law and the concept of the reserve army (Chapter VII.B), highlighting in particular widespread neglect of Marx’s sociological categorization of the layers of the reserve army (Chapter VII.C). Having established the basis to construct a classical sociological perspective we return to the anomalies surrounding unemployment in Chapter VIII. A key part of our

resolution of the anomalies of unemployment involves explicit integration of the macroeconomic argument (presented earlier, Chapter III.C.2) into the classical reserve army framework (see especially Chapter VIII.B). In this way, we attempt to establish the foundation for a political-economic sociology of unemployment. Finally, in Chapter IX we restate our general argument and discuss some of the implications of the political-economic sociology approach developed in the previous chapter.

### CHAPTER III

#### ECONOMICS, SOCIOLOGY AND UNEMPLOYMENT

The economic mainstream has long viewed unemployment as a “necessary evil” of capitalism (Garraty 1979, 128) but has nonetheless struggled to rationalize its often-violent and unpredictable swings, as well as its secular growth. The history of economic analysis of unemployment is thus peppered with paradoxical terms like “natural unemployment,” “rigid labor markets,” “voluntary unemployment,” “discouragement,” “sticky wages,” “efficiency wages,” etc., which together form a relatively constant string of economic anomalies. For most contemporary economists these anomalies are very difficult to confront directly. This is due, in part, to the fact that the original contributions of many outstanding exponents of mainstream economics, such as John Maynard Keynes, are ignored or marginalized because, invariably, they prove too threatening to the neoclassical canon (Dobb 1973, 212). As economic historians Robert Heilbroner and William Milberg explain, there are two conflicting narratives of modern macroeconomics. In the non-triumphalist view, “macroeconomics since Keynes has been a series of misplaced efforts to reestablish neoclassical thought as the dominant approach to issues of income determination, unemployment, inflation, and growth” (1995, 19).

Keynes tried admirably to rationalize economic theory in response to the utter failure of neoclassical economics to account for the events of the Great Depression. However, his insistence on jettisoning fallacies like Say’s Law of Markets (i.e., the idea that supply creates its own demand) amounted to a frontal attack on the whole of *laissez-faire*

ideology—at core, a dismissal of the idea that “self-interest always operates in the public interest” (Keynes 2004, 36; Keynes 2009). Once Keynes’ analysis was assimilated into neoclassical theory—as the “neo-classical synthesis” or “Bastard Keynesianism” (Milward 2000, 150; Turgeon 1996) depending on one’s vantage point—his critical insights, and those of his most brilliant followers, such as Joan Robinson (1969), were either discarded or drained of critical insight.<sup>11</sup>

Despite the large number of theories that have been developed to tackle the problem of unemployment, the vast majority in today’s neoliberal age elude Keynes’s analysis even though the latter’s primary focus was employment and unemployment (Skidelsky 2010). Indeed, the polar categorization of all unemployment either as “cyclical” or “structural,” vaguely suggestive of a contestation, is largely illusory. Arrayed on one side are New Classics (representing the conservative wing), who routinely find support for structural, non-economic factors. The dogma of New Classics can be found in canonical economics textbooks: “A labor market characterized by perfectly flexible wages cannot underproduce employment or have involuntary unemployment” (Samuelson and Nordhaus 1989, 289). On the other side are New Keynesians (representing the more liberal wing), who differ only to the extent that they attempt to qualify the assumption of involuntary unemployment by establishing a basis for a narrow range of “rational” market imperfections (Skidelsky and Wigstrom 2010, 30-1; Heilbroner and Milberg 1995

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<sup>11</sup> This is not surprising given the parallels between the approach of Keynes and Marx. As Robinson pointed out, Keynes “reintroduced the concept of capitalism as a particular economic system, evolving through history”—a system with an “essential flaw,” i.e., “inherent instability and chronic failure to make use of its potential resources.” By the time Keynes finished *The General Theory of Employment, Interest and Money* he “was startled by the indictment of the free-enterprise system that it seemed to represent” (1981, 97-9).

80-91). Anchored within the same theoretical paradigm, both wings accept the validity of the cyclical/structural distinction and its supply side implications (Heilbroner and Milberg 1995, 92). As a result of its superior logical consistency within the neoclassical framework, the structural view of New Classics, which posits unemployment as a function of the “degree of mismatch” between the workers and jobs, dominates most discussions (Pissarides 2000, 22).<sup>12</sup>

In light of the above review, it should not come as much of a surprise that mainstream debate tends more and more often to degenerate into narrow and politically predictable policy battles in spite of appallingly high unemployment rates (Wolfers 2013). Far from producing new theoretical discoveries, such as a creative resolution of micro/macro or cyclical/structural dualisms, mainstream economic work on unemployment is marked by theoretical stagnation and, even worse, retrenchment. This is precisely why the “mere anomaly” of unemployment represents an “acute crisis” (Kuhn 1996 p. xii) for mainstream economic theory.

### **A. Sociology and Unemployment**

While sociologists have deepened economic analysis in many areas, the challenge of explaining the anomalies of unemployment has been left almost entirely to economics.

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<sup>12</sup> It should be obvious that “structural unemployment” does not mean for economists what it would mean for most sociologists, i.e., questions related to fundamental social relations of production or structural inequalities, but instead resolves itself into a technical matter (Rothschild 2005, 30), such as the provision of more opportunities for worker training (Lafer 2002). To recognize, as most sociologists do, that training or educational achievement is linked to features intrinsic to the socioeconomic system (thereby structural in a much deeper sense)—such as the reproduction of social inequality or the degradation and polarization of skill, which greatly constrain the range of choices available for many workers—is simply out of the question (Schutz 2011, 35).

The reason, some have argued, is that sociologists largely ceded the critical study of economic inequality and related areas such as unemployment to the domain of economics (Myles 2003).<sup>13</sup> Morris and Western (1999, 650) reach this conclusion in an extensive empirical review of the sociological literature dealing with wage and income inequality, lamenting the fact that after a quarter century sociologists are “fighting disciplinary boundary battles with literature and the humanities, rather than economics.” In what seems like an afterthought, Morris and Western (1999, 649) single out economic sociology as an exception to the rule, noting its “important critique of neoclassical models.” Curiously, the paragraph-long discussion contains only a single reference—and this to a volume that was published twenty years earlier (i.e., Berg 1981) when the purported revival of economic sociology was but a year in (Smelser and Swedberg 2005a, 14). At least superficially, economic sociology would indeed appear to be a logical area to turn to for guidance on the question of unemployment, so the fact that Morris and Western could find nothing newer to cite is vexing.<sup>14</sup>

This lacuna in the record of economic sociology presents no contradiction when viewed in terms of its performance in tackling the issue of unemployment specifically, as

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<sup>13</sup> “The truth,” in Wallerstein’s more skeptical view is that sociology has “no clear domain” of its own. “Intellectually, sociology does not exist.” However Wallerstein thinks the case is no different in “all the other so-called disciplines that constitute collectively the social sciences. Their respective claims to intellectual coherence are not one whit more plausible than those of sociology, and intellectually they, too, are black holes” (2000, 309).

<sup>14</sup> Another peculiarity of the article is a quote from Marx that leads off the “Discussion” section: “*Capital is a social relation of production*” Nowhere in the subsequent pages do the authors refer back to the idea (Morris and Western 1999, 648).



research on the latter question is almost nonexistent. In the 1994 edition of *The Handbook of Economic Sociology* no index entry exists for the term “unemployment” (Smelser and Swedberg 1994). The term does appear in the index of the 2005 edition (Smelser and Swedberg 2005b), but the entries refer only to two consecutive pages—as a small slice of a review (originally published in *Annual Review of Sociology* in 1993) of the work and occupations literature (Abbott 2005, 318-9; Abbott 2005). In this brief section, only three of the authors cited are from the U.S.—one sociologist and two mainstream economists. The five remaining studies cited are geographically focused on Europe and were written by European academics. In terms of content, we gain at most scattered clues as to the nature of the unemployment riddle. The issue of unemployment is ambiguously summed up as “a complex kind of event”—one that is “tied to ‘sectoral’ change between wage, domestic, and informal production as much as it is to the conjunctures of the wage economy” (Abbott 2005, 319). The issue of whether unemployment is not simply conjunctural but a larger structural reality of the economy, or whether it is due to sectoral changes in employment, is thus deftly avoided.

Contrary to the assumptions of Morris and Western, a tendency to consume relatively uncritically mainstream or neoclassical assumptions, and then to add layers of ‘sociological’ variables, characterizes the majority of the work in mainstream economic sociology (on unemployment, see, e.g., Moore 1996; Kalleberg 2007). This is ironic given the fact that proponents of the “new economic sociology,” which spearheaded the revival of economic sociology and still remains its most prominent area, made a point of their theoretical opposition to neoclassical economics (Granovetter 2002). Far from challenging neoclassical economics, critics have pointed out that researchers in this area

actually display an affinity for, rather than an aversion to, neoclassical modeling (Krippner and Alvarez 2007; Krippner 2001; Beckert 2009). In a review of the organizing concept of “embeddedness,” borrowed from Polanyi (1957; 1992) by Granovetter (1992), Krippner and Alvarez (2007, 232) argue that “what is shared with the neoclassical perspective” is most noticeable. In the “Granovetterian tradition,” they continue,

social relations affect the economy from the outside. To be sure, these social relations are ubiquitous rather than marginal, and their effects are seen as generally positive rather than as generating inefficiencies, but in both cases an exterior relationship is posed between the economic and the social. In this sense, it is not surprising that theorists writing in the Granovetterian tradition often seek to complement or extend neoclassical models rather than overthrow them (2007, 232-233).

These critics locate the problem in Granovetter’s reduction of the concept of embeddedness to “a configuration of network ties” (Krippner 2001, 777),<sup>15</sup> which leads to “cumulative interpretative misunderstandings on several levels” (Beckert 2009, 43). In elaborating this critique, Krippner (2001) takes the discussion to a much deeper level by recognizing that the “theoretical space” within which sociological concepts emerge can distort and even invert their original meaning if they are adopted uncritically (Krippner 2001, 779, *passim*). That theoretical space, according to Krippner (2001, 798), was Parsonian sociology, “which moved like a glacier over sociology’s intellectual terrain”

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<sup>15</sup> It is surprising to note that Krippner (2007) fails even to mention Polanyi’s (1957) important article, “Aristotle Discovers the Economy”—wherein he lays out the historical and theoretical foundation for the concept of embeddedness—in this extensive critique.

and continued to assert its influence long after widespread rejection of Parsonian functionalism.

The great virtue of Krippner's excavation of the concept of "embeddedness" arises from its attentiveness to the history of sociological thought, and especially its appreciation of the complicated relationship between sociology and economics. While, for the purposes of building a sociological perspective of unemployment, the analysis does not go far enough it does contain an important clue. As Krippner (2001, 799-800) herself points out, in the "Post-Parsonian intellectual landscape" there is still a strong tendency to reproduce the separation between "economic" and "social." Krippner mostly passes over this detail, viewing it merely as a caution for future research, but it obviously complicates the argument for no real explanation is given for why, even after the Parsonian ice sheet had melted, the same rigid dualisms tended to reassert themselves. The core question thus remains: Why, indeed, do the ghosts of neoclassicism seem so consistently to haunt sociological investigations of the economy?

## **B. Sociology and Economics**

The first step in answering this question is to recognize that the "boundary" between economics and sociology cannot be maintained on practical or analytical grounds alone. It goes without saying that researchers must constrain the universe of inquiry to make logical sense. Moreover, if one were inclined to search for an analog for sociology in the "physical" sciences it would surely be found in ecology, in light of sociology's analytical potential. Historically the "boundary" between sociology and economics (no less history or anthropology) has been porous. This should occasion no surprise given that economists and sociologists share a classical theoretical tradition, where figures like

Marx, Veblen, and Polanyi explicitly or implicitly transcended the boundaries between the two disciplines with fruitful results.

From this perspective, and in light of the incessant discussion about ‘boundaries’ in virtually every area of sociology that shades into economics, questions about the other sociological founders necessarily arise; particularly with respect to Max Weber, as the outstanding example of a scholar who carried out an extensive project defining the parameters and conceptual frameworks appropriate to sociology. Even if one disagrees with such a project in principle, it would be a grave mistake to ignore the relevance of such efforts. Indeed, in connection with the problem of “theoretical space” in sociology, Weber’s work is profoundly important. Thanks to excellent scholarly work on the historical relation between economics and sociology, it is possible briefly to examine the background of Weber’s boundary project. In so doing, we shall clarify the basis of a genuine sociological theory of unemployment capable of resolving the anomalies of unemployment and, additionally, provide a provisional explanation for the peculiar resilience of neoclassical formulations.

### *1. Tangled Histories*

Simon Clarke’s (1991) exhaustive study of the development of modern sociology demonstrates convincingly that the replacement of classical political economy by marginalist economics marked a crucially important shift in the history of sociological thought.<sup>16</sup> The transition did not occur in a vacuum but came in response to growing calls for revolutionary change and reform from the nascent and rapidly expanding working

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<sup>16</sup> This and the next paragraph are summarized largely from Clarke (1991 Chapters 6-9). Direct quotations will be cited in the text.

classes across Europe. Sociology was born within this cauldron of social upheaval. Many of sociology's founders, like August Comte and Herbert Spencer, as well as a range of other liberal-minded reformers, found it increasingly difficult to square the new philosophies they were developing with the theory of distribution elaborated by classical political economy. "Nevertheless there was no other rigorous basis than political economy on which to defend the truths of liberalism" (Clarke 1991, 171). Under mounting pressure from the working classes in particular, attempts to assimilate significant modifications of the theoretical core of classical political economy failed, resulting in a collapse of faith in the "law of population" and "law of wages"—two crucial pillars in the classical political economy narrative (Clarke 1991, 150). The decline of classical political economy marked the birth of marginalist economics, which was erected upon the same rational choice foundation as neoclassical theory. (Marginalism and neoclassicism are in fact one and the same.) At a crucial point Weber was called upon to negotiate the boundary that marginalist economics proposed to erect between itself and sociology, and he undoubtedly produced the most workable solution that could possibly be built on the foundation of liberal social theory (Clarke 1991, 297).

The relevant aspects of this transformation were as follows. First, the self-proclaimed rigorous price theory of marginalist economics established its scientific foundation and provided a basis upon which it could evaluate reforms. Second, in assimilating the ideological content of classical political economy, marginalist economics continued to acknowledge the deficiencies of actually existing capitalism, thus establishing sociology as a complementary but subordinate discipline tasked with addressing the "substantive irrationality" (1991, 205) of the system through institutional reform. Third, marginalist

economics abolished the classical theory of distribution and included only production (in very limited sense) and exchange (where classical political economy contained all three) within its purview, attempting to “establish the rationality of capitalist society...on the basis of capitalism’s allocative efficiency, viewing problems of growth simply as problems of allocation of resources over time” (Clarke 1991, 200); subsequently, the domain of distribution was shifted to sociology. Fourth, and relatedly, 1) by removing distribution from its domain marginalist economics simultaneously eliminated the theory of class—as a social relation of production—from its analytical concerns; 2) the concept of class then resurfaced within sociology (as part of the domain of distribution), where class now appeared “at a lower level of abstraction,”

becoming a purely sociological concept in the sense that it now characterizes particular social groups that arise out of the free association of individuals on the basis of their perception of a common economic interest. It is now economic interest that underlies the formation of classes, not the existence of classes that underlies the conflict of interest.... Within the framework of marginalist economics classes arise not on the basis of the relations of production, as in Marxism, nor on the basis of the relations of distribution, as in classical political economy, but on the basis of exchange relations. (1991, 237)

Fifth, and finally, marginalist economics presented a theory of society that erased the historical specificity of the core institutions of capitalist society—“property, exchange, money, the division of labour and the separation of the labourer from the means of production”—by constructing these institutions as the natural result of the interactions of rationally acting individuals in the market (1991, 195).

## *2. Breaking from Marginal Sociology*

It may be tempting to assume that sociology's voyage through the marginalist "revolution" lacks contemporary relevance, yet this would be a mistake. The division of labor between sociology and economics only fully solidified around the 1940s.

Moreover, as Clarke points out:

Despite the fact that modern sociology has developed in opposition to the naturalistic rationalism of marginalist economics, it nevertheless rests on the same ideological foundations. These ideological foundations are not necessarily formulated explicitly, for the intellectual division of labour that separates sociology from economics and assigns the task of analysis of the social relations of capitalist production to economics, establishes the ideological foundations of sociology outside its own domain.

This, indeed, is why attempts to break away from neoclassicism, with its origins in marginalist economics, proves to be so difficult. The problem cannot be resolved entirely by attempting to purge imported concepts because "the sociological critique of the narrow economic rationalism of marginalist economics cuts the ground from under its own feet" (1991, 295-9). As Heilbroner and Milberg observed,

[T]here is more than one vocabulary and repertoire of economics, so that the location and changeable pace of industry, or the spectacle of unemployment will look very different through lenses ground with a Marxian prescription and those ground to the order of a New Classical economist. *But without some form of "economics" there would be no comprehension whatsoever of what we see.*

Psychology, sociology, and politics do not include unemployment or uneven

growth in their conceptual or analytical concerns. That is to say that there exist aspects of a capitalist order that cannot be grasped without economics; or to turn the matter around, it is to say that economics cannot be learned or used without speaking of capitalism (1995, 112, emphasis added).

If modern sociology has been constructed upon the dualism between “economy” and “society” introduced by marginalist economics, it cannot transcend this basis without developing its own economics. The creation of a strict methodological domain of inquiry followed out of necessity in order to buttress the limited outlook of neoclassical theory,<sup>17</sup> given its fundamental irrationalism<sup>18</sup>—yet it this was not a requirement of economic analysis. To treat economic subject matter, observed G. L. S. Shackle (1972, 260), “as conforming to ideal mathematical conceptions,” and “to attach *economic* meaning to limiting processes and other such abstractions, in a literal rather than a suggestive sense, is to invite misconception and fallacy” (also see Kaldor 1985, 58-9). Indeed, orthodox

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<sup>17</sup> By explicitly linking econometrics with hard science, economist appear to gain more prestige than sociologists (Skidelsky 2010, 33) but this higher status is maintained as well through dutiful connections to business and the liberal state. As John Kenneth Galbraith pointed out in his 1972 presidential address to the American Economic Association, “If the state is the executive committee of the great corporation and the planning system, it is partly because neoclassical economics is its instrument for neutralizing suspicion that this is so” (quoted in Schutz 2011, 15).

<sup>18</sup> See Bhaskar (2008, chapter 4) on “irrationalism.” As Bhaskar points out elsewhere, in neoclassical economics social behavior is reduced to “a simple maximization problem” driven by “rationality.” “To explain a human action by reference to its rationality is like explaining some natural event by reference to its being caused. Rationality then appears as an a priori presupposition of investigation, devoid of explanatory content and almost certainly false.” “Neo-classical economic theory,” Bhaskar concludes, “may be best regarded as a normative theory of efficient action, generating a set of techniques for achieving given ends, rather than as an explanatory theory capable of casting light on actual empirical episodes: that is, as a praxeology, not a sociology” (2005, 31-2).



economics is in fact a clear case of what Whitehead (1948, 52) called “the fallacy of misplaced concreteness.”

This orientation clearly takes away from the critical and explanatory potential of genuinely sociological approaches by diluting the relevance of broader theoretical frameworks that form the basis of the discipline. Unless a radically different orientation is pursued, the foregoing analysis suggests, sociology will be unable to accomplish anything beyond adding a thin (and misleading) veneer of descriptive realism to the dominant economic perspective on unemployment. Indeed, we argue that this is precisely why, in scope and breadth, no comprehensive sociological alternative to neoclassical modeling of labor markets (hence unemployment) has emerged. Faced with this significant theoretical gap we are left with an important problem: where does one begin the important task of reconstituting a genuinely sociological perspective on unemployment, assuming that economics itself is hardly up to the task?

### **C. Political-Economic Sociology**

We believe that political-economic sociologists—a term introduced here to refer to the subset of economic sociologists who draw heavily on notions of class and power reminiscent of classical political economy and classical sociology, overlapping with today’s heterodox economics—have made considerable progress in accomplishing this goal. A political-economic sociology is capable of overcoming disciplinary hurdles because of the greater realism and comprehensiveness of its holistic approach, allowing it to zero in on the gross inadequacies of existing economic explanations of major social issues like unemployment. From the standpoint of political-economic sociology, unemployment is not reducible to a constrained range of phenomena, e.g., a modeled set

of demographic characters or a series of correlations in a business cycle. In capitalist economic systems unemployment is both persistent and inevitable—a core social relation deeply embedded within the reproductive logic of the system (Lipietz 2001). The conditions of unemployment overlap with and intensify existing inequalities, and ultimately shape the life course of millions of workers every year in significant, and often destructive, ways (Isaksson et al. 2000; Borie-Holtz, Van Horn, and Zukin 2010; CBO 2012).

Indeed, from the standpoint of political-economy sociology the extraordinarily limited way that orthodox economics approaches the issue of unemployment is nothing less than astonishing. The superficiality of most conceptions of unemployment is especially revealing of the deficiencies of orthodox models (Cherry 1987). The existence of such enormous gaps in the analysis of economic phenomena like unemployment is what makes political-economy sociology indispensable. The attempt to explain what mainstream economics leaves out also necessarily raised questions for sociologists about the value and integrity of the orthodox economic models themselves. Political-economic sociologists found it essential to develop their own, independent theory of the economy and this is precisely why it makes the most fruitful starting point. To illustrate, the following section describes how political-economic sociologists and heterodox economists have come to view the general problem of unemployment. This discussion begins to lay the groundwork for investigating the specific anomalies of unemployment, which we return to a later stage of the argument (Chapter VIII).

### *1. A New Paradigm of Unemployment*

Historically, investigators within the political-economic sociology tradition have taken Keynes' work much more seriously than mainstream economists, including New Keynesians. In fact, economic historians view Keynes' analysis as part of a broader theoretical spectrum (including as well post-Keynesian, institutionalist and neo-Marxist approaches) simultaneously initiated by radical economists (particularly Kalecki 1939) that shifted focus away from the issue of static equilibrium and toward the problem of economic growth (Dobb 1973, 211). Unconstrained by the unrealistic assumptions of neoclassical models, these analysts arrive at a series of conclusions that sharply diverge from those of mainstream economists. Indeed, as the criticisms mounted political-economic sociologists ultimately developed an "alternative conception of the economic system as a whole," representing nothing less than "the emergence of a new paradigm" (Nell 1972, 20).

These more critical investigations begin by recognizing that the vicissitudes of unemployment are clearly linked with movements in economic growth. This proposition should not be confused with "Okun's Law" of neoclassical theory, which (characteristically) posits a deterministic relation between unemployment and changes in output or GDP growth (Ball, Leigh, and Loungani 2013; Bernanke 2012). It is not that growth smoothly predicts unemployment but that monopoly capitalist economies in particular must grow *significantly quickly* to reduce unemployment.<sup>19</sup> This can be seen

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<sup>19</sup> "If capital grows rapidly, competition among the workers grows with even greater rapidity, i.e., the means of employment and subsistence for the working class decrease in proportion even more rapidly; but, this notwithstanding, the rapid growth of capital is the most favourable condition for wage-labour" (Marx 1976, 48, book 1).

clearly in Table III-1, which correlates changes in the growth rates of real GDP and unemployment from 1949 to 2012.

**Table III-1. Change in Unemployment at Different Growth Rates of the U.S. Economy, 1949-2012**

	Range of percent change in real GDP			
	< 1	1 to < 3	3 to ≤ 5	> 5.0
Total number of years	11	17	23	13
Number of years with growth in unemployment	11	11	4	0
Percent of years with unemployment growth	<b>100%</b>	<b>65%</b>	<b>17%</b>	<b>0%</b>
Average percent change in unemployment rate from the previous year*	<b>2.0</b>	<b>0.1</b>	<b>-0.2</b>	<b>-1.0</b>

\* A negative number indicates a growth in employment.

**Sources:** “Table 1.1.1 Percent Change from the Preceding Period in Real Gross Domestic Product,” Bureau of Economic Analysis, <http://bea.gov>; “(Unadj.) Unemployment Rate.” Series LNU04000000, Bureau of Labor Statistics, <http://data.bls.gov>. See Magdoff and Foster (2010, 57), who are credited with the original development of this table.

The first column shows that when the growth rate of real GDP was 1 percent or less the unemployment rate increased 100 percent of time, and it increased by an average of 2 percent annually. Even when the growth rate was between 1 and 3 percent, the rate of unemployment grew most years, by an average of .1 percent annually over all years. In contrast, the last column reveals that the U.S. economy has historically required a real GDP growth rate of 5 percent to reduce the unemployment rate consistently, reducing unemployment by on average of 1 percent annually. However, the last time the U.S. economy exceeded 5 percent growth in real GDP was in 1984 (7.2 percent); and since 2000 the economy has only exceeded 3 percent in two out of the last eleven years.<sup>20</sup> In

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<sup>20</sup> One early observer calculated (with impressive accuracy) that, as a result of the growth of oligopoly in the U.S. economy, GDP would need to grow at four percent annually for unemployment to remain stable (Sylos-Labini 1969, 205).

years when the grow rate of real GDP was within the respectable range of 3 to 5 percent, the unemployment rate still inched up in 4 of the 23 years; and it only dropped on average .2 percent annually over all years.

If one accepts this reality, the question naturally turns to a consideration of the determinants of economic growth and decline. Here perspectives within political-economic sociology begin to diverge significantly from each other, and their point of divergence can be traced back to different interpretations of Marx's theory of the "General Law of Accumulation" (hereafter, "general law"). For one group, the general law, and specifically the dynamics of the reserve army of labor, is viewed somewhat mechanically; for the other, the evolutionary tendencies of the general law, i.e., its dynamic development, play a much more central role. At this point, in our consideration of broad models of the economy, we restrict our discussion to the neo-Marxian theory of monopoly capitalism because it has consistently emphasized the dialectical interaction of accumulation and the reserve army (Baran and Sweezy 1966; Braverman 1998; O'Connor 2001, 20).<sup>21</sup> We consider the origin and development of alternative viewpoints below, in our discussion of sociological applications of the general law itself (Chapter VI.A).

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<sup>21</sup> "Neo-Marxian" is used here not to refer to a departure from Marxist analysis, but rather to a theoretical tradition within Marxism, inspired by Michał Kalecki in particular, that focused on changes in capitalism's laws of motion brought on by the rise of the giant corporation. Both neo-Marxian political economy in the United States (Foster and Szlajfer 1984) and the post-Keynesian tradition (see J. E. King 2003) view Kalecki as the primary thinker, but with divergent interpretations of his work and its relation to Keynesianism.

## *2. Monopoly Capitalism and Stagnation*

According to the theory of monopoly<sup>22</sup> capital, the U.S. economy has been caught in a deep period of economic stagnation (defined as a slowdown in the trend-rate of growth coupled with high unemployment and excess capacity) for close to five decades. In fact, a strong argument can be made that the U.S. economy only experienced a brief reprieve between the Great Depression and the stagnating economy of today (Foster and McChesney 2012); and that this pause—a period of relatively strong growth coincident with what C. Wright Mills (2000) sardonically referred to as the “American Celebration”—only occurred as a result of a “fortunate” conjunction of historical developments. The most important was, of course, World War II, during which the institution of a command and control economy produced the only instance of what can reasonably be called “full employment” in U.S. history (Du Boff 1977b; Sweezy 1958, 121-6).<sup>23</sup> Subsequently, the economy was buoyed by: consumer liquidity built up during the war; a second great wave of automobilization (including the buildup of the petroleum, glass, steel, and rubber industries, and the construction of an interstate highway system); the rebuilding of the war-devastated economies in Europe and Japan; Cold War military

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<sup>22</sup> The term “monopoly” is meant to include the much more common case of “oligopoly,” wherein a few firms control the vast majority of output in a given industry (Baran and Sweezy 1966, 6, fn3). Monopoly here refers to giant corporations with significant “monopoly power.” These firms tend to behave similarly to monopolists. For example, price wars, which only lead to mutually assured destruction, are deftly avoided. Indeed, price has tended to decline as the “main vehicle of competition” and new, particularly wasteful forms of competition—such as marketing, obsolescence, etc., connected specifically with the preservation of monopoly power—have arisen (Robinson 1978, 171).

<sup>23</sup> Paul Krugman rather cynically refers to the World War II as a “massive deficit-financed public works program” (2009). One can only hope that the U.S. economy will not once again require a “public works program” of this sort to avert economic disaster.

spending (including two regional wars in Asia); the growth of the sales effort; and the global stimulus associated with U.S. hegemony. All of these external stimuli to the economy eventually faded (being inherently self-limiting) and slow growth reemerged (Reguly 2012; Foster and McChesney 2012; also see R. J. Gordon 2012 for a similar mainstream interpretation). In recent decades, the economy has been increasingly dependent on financialization—the growth of the financial structure of the economy relative to production—manifested in a series of financial bubbles. But as the Great Financial Crisis demonstrated, this is a self-limiting basis of economic expansion.

As we shall see below, a view that focuses on the long-term economic slowdown and its effects on unemployment is a far cry from the tendency in neoclassical economic analysis to ascribe higher unemployment as characteristics of individuals belonging to certain groups. This is often a way of diverting attention from the larger reality of unemployment itself and its role in structuring inequality. A host of other sociological factors can be (and often are) blamed for unemployment, including wages, worker struggle, unionization, government spending—yet all have been shown to be irrelevant to the incidence of unemployment, and especially the mass unemployment of today (Rothstein 2012; Treas 2010). Most of these can be classified as attempts to put the cart before the horse theoretically. Indeed, sociologists have strongly challenged many of the most egregious deficiencies of neoclassical theories of inequality and, to some extent, of unemployment (Moore 1996; Treas 2010).

The question remains, however, why sociological investigators (apart from political-economic sociologists) have not gone further in questioning the foundations of neoclassical theory itself. We argue that in the case of unemployment, one reason is that

economic conditions of stagnation led inexorably to a statistical construction of the problem that tended to downplay its severity, and hence its root causes. Creeping stagnation has meant a widening underemployment gap (i.e., a gulf between actual and potential employment), which has been, in a sense, normalized. Thus, it is only during major crises that the neoclassical emperor's clothes are completely stripped away—providing real transparency. At the same time sociologists have increasingly neglected macroeconomic questions entirely, which has made it impossible to comprehend the reality of stagnation and, as a consequence, the historical dimension of the problem of unemployment.



## CHAPTER IV

### THE UNEMPLOYMENT DISASTER

*The unemployment situation we have, the job situation, is really a national crisis.*

—Federal Reserve Chairman, Ben Bernanke (AP 2011)

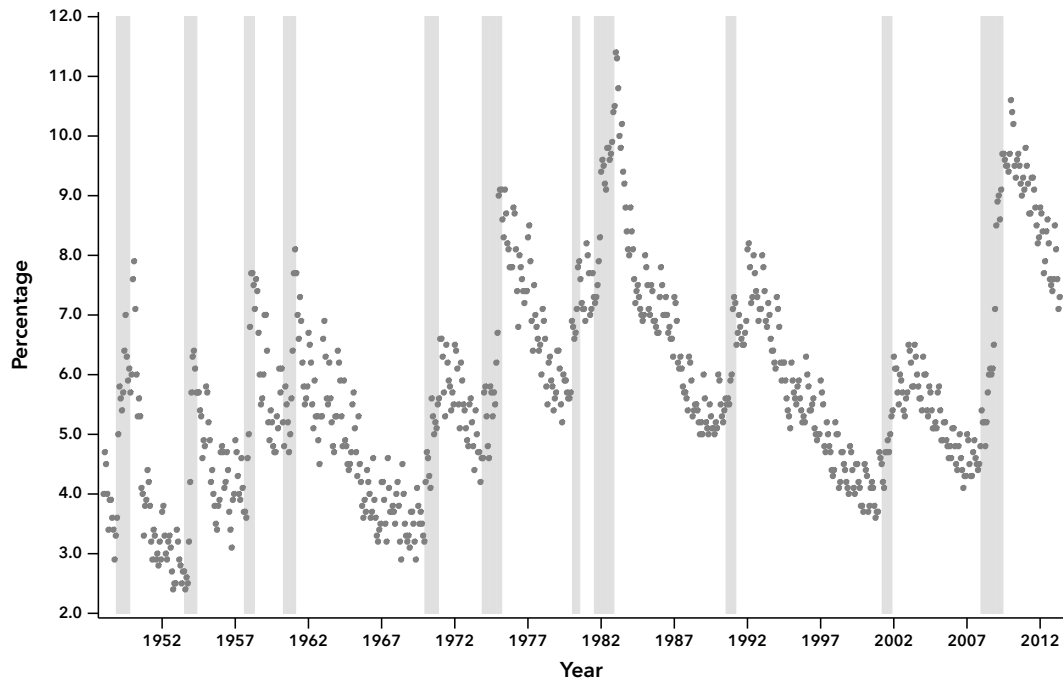
Even using official statistics it is possible to discern the tendency toward economic stagnation, as well as the emergence of the three anomalies of unemployment. In this section we therefore conduct a brief empirical examination of selected economic trends to provide a sense of how each of the three anomalies fits into this overall pattern of stagnation. This survey also affords an opportunity to consider mainstream explanations for some of the anomalies in more detail.

#### **A. Long-Term Trends**

As monopoly capital theory suggests, long run movements in the unemployment rate reveal worrying trends in U.S. economic performance. Chart IV-1, which plots the official monthly unemployment rate (with shaded areas denoting official recession periods), shows that unemployment is a persistent and, since 1949, growing problem in the U.S. economy. Over the entire period unemployment has averaged 5.8 percent. Since 1980, it has averaged 6.4 percent. As we discuss below, this has partly to do with the appearance of so-called “jobless recoveries” post-1975, evidenced by the higher peaks, which exceeded 10 percent in some months at the depth of the 1981 and 2007 recessions. While not immediately evident, the peaks themselves are also wider than in previous

years. By analyzing post-recession job creation we can get a better picture of how broad and deep recent cycles (or recessions) have actually been.

**Chart IV-1. Unemployment Rate by Month with Recession Periods, 1948-2012**

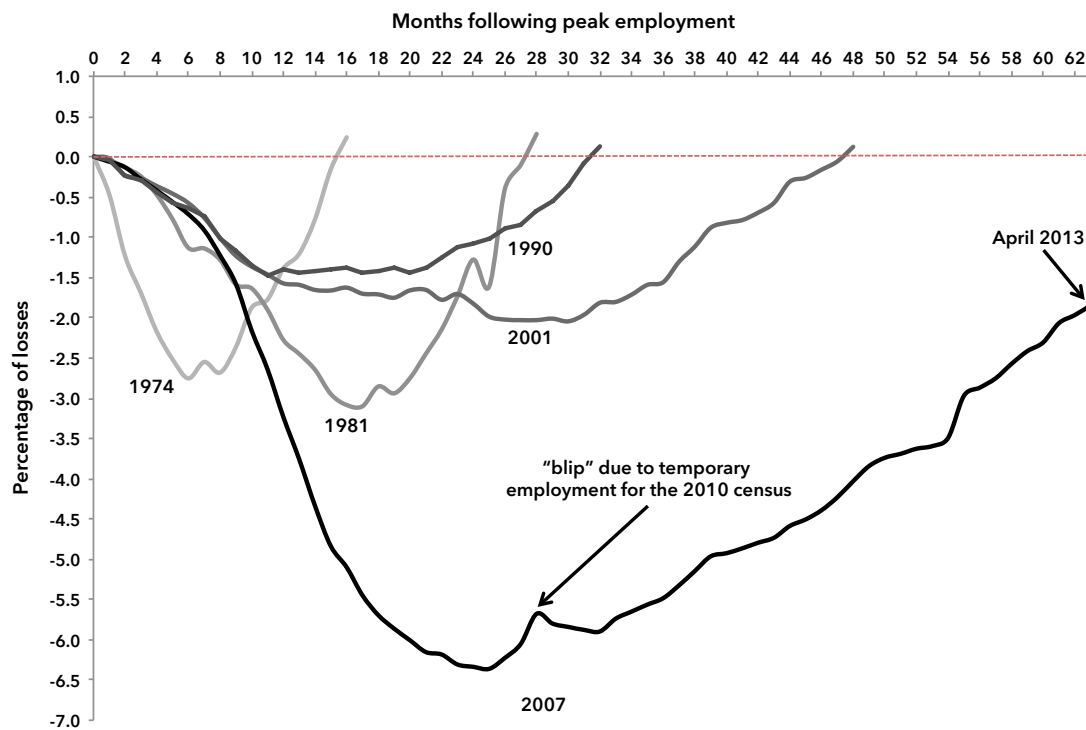


**Sources:** “(Unadj.) Unemployment Rate.” Series LNU04000000, Bureau of Labor Statistics, <http://data.bls.gov>; “NBER based Recession Indicators for the United States from the Period following the Peak through the Trough (USREC), Monthly.” St. Louis Federal Reserve (FRED) database, <http://research.stlouisfed.org>. Accessed June 9, 2013.

Chart IV-2 measures the number of months it has taken to reach pre-recession employment levels for five recent recessions. With each recession the number of months increases, and recently by a significantly longer period of time. The 2001 recession resulted in fewer job losses but it took almost twice as long as in earlier recessions for the recovery to reach the pre-recession employment level. According to NBER, the 2007 crisis only spanned from January 2008 to June 2009; but as of April 2013—62 months after non-farm employment began to fall—the economy is still close to 2.5 million jobs

away from reaching its pre-recession job level. Conservatively estimated, the economy must create 5 million *additional* jobs if we account for the jobs needed to keep up with the growth of the labor force: just shy of 10 million in total (Economic Policy Institute 2012; Bernanke 2012, 3-4).<sup>24</sup> At the current pace (165,000 jobs were created from March to April 2013) the economy would not reach this target for another year and a half.

**Chart IV-2. Duration of Job Losses in Selected Recessions**



**Source:** Calculated from “All Employees: Total nonfarm (PAYEMS), Thousands of Persons, Monthly, Seasonally Adjusted” and “NBER based Recession Indicators for the United States from the Period following the Peak through the Trough (USREC), Monthly.” St. Louis Federal Reserve (FRED) database. Accessed March 17, 2012. <http://research.stlouisfed.org>.

Assuming the economy does actually recover these jobs within this time frame, the employment downturn stemming from the 2008 financial crisis would stretch to eight and

<sup>24</sup> The estimates vary widely as a result of changes in the labor force participation rate, and the need to make assumptions about the total size of the labor force.

a half years—over double the length of the 2001 employment slump (see Chart IV-2 sources).

## **B. Missing Jobs**

Given these trends, it should come as no surprise that the paradox of “jobless recoveries” has resurfaced in mainstream discussions over the last two decades. When economists speak of “jobless recoveries” they are loosely referring to a situation in which GDP, the technical measure of movements in an economic cycle, begins to rebound with little or no commensurate decrease in the unemployment rate. The term first appeared in the *New York Times* in the period leading up to the second downturn of the Great Depression (Editors 1938)—known as the Recession of 1937—and while “jobless recoveries” have seldom been mentioned until relatively recently, the phenomenon is not unique to the two periods alone (Judis 1993).

The significance of this sort of ‘puzzle’ should be apparent to those familiar with standard economic theory, or at least the central tenet of general equilibrium. A “jobless recovery,” much like the incidence of “stagflation” in the 1970s (Sherman 1976a), is significant enough to throw into question core postulates of conventional economic theory (especially now that Keynes’ original theory has been sidelined). If widespread unemployment and economic growth can coexist, one could not be faulted for asking a set of the rather uncomfortable questions: What exactly is in ‘equilibrium’ anyway? If the current jobs picture represents a new equilibrium (or a “new normal,” Weidner and Williams 2011) then who benefits and who loses in this new situation? A plethora of more recent studies have shown that as economic growth rates have generally subsided over the decades since the post-World War II boom (R. J. Gordon 2012; Harvey 2010a;

Cowen 2011) the “one percent” has benefitted most, with consistently declining real wages generating what some have termed, “The Great Inequality” (Yates 2012). It seems clear that these tendencies are somehow related; yet this is not the conclusion reached by contemporary economic theory.

New Keynesians tend strongly to downplay the actual existence of jobless recoveries. The problem is viewed merely as “an economic hangover” resulting from “a binge of overhiring” in prior years (R. J. Gordon 1993, 306). Given the increased frequency and duration of “jobless recoveries” this explanation has weakened significantly.<sup>25</sup> New Classical economists, as market fundamentalists, take the problem much more seriously—at a theoretical and practical level—since unemployment and inequality stemming from “jobless recoveries” expose major contradictions of the self-regulating market, thus confronting them with a deeper anomaly. In place of Keynes (or Marx) these economists often reach back to Schumpeter’s theory of creative destruction, though this seldom goes beyond asserting the role of technological change.

The explanation begins with the attempt to find a correlation between waves of technological innovation (usually treated as a black box) and the phenomenon of unemployment. At these times, proponents argue, newer and more innovative industries cannot immediately absorb the extant labor force because the required skill set has changed, presumably significantly (Groshen and Potter 2003). Given that this largely a cyclical phenomenon it fails miserably to explain prolonged unemployment. Predictably, the more recent variation, which developed in response to the Great Recession, raises the

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<sup>25</sup> Stiglitz (2012), in particular, has strongly criticized existing economic theory for its complete failure to acknowledge the broad impacts—on everything from inequality to mainstream economic education—of monopoly.

ante by constructing the impact of technology as secular, or essentially permanent. In this view, the revolution in computerization and the proliferation of robots has been so significant that it has permanently reduced the amount of labor required in production (Autor, Katz, and Kearney 2006)—an updated version of the old technological-unemployment thesis. Journalistic accounts portend certain doom: “Whole employment categories, from secretaries to travel agents, are starting to disappear” and will never return (Condon and Wiseman 2013; also see Wiseman, Condon, and Fahey 2013). Academic economists attempt to avoid the doom and gloom scenario by linking the job-destroying tendencies to peculiar modern economies with related but largely independent “structural” changes in the labor force.

This narrative, which is deceptively reminiscent of Braverman’s argument in *Labor and Monopoly Capital* (1998), begins with the demand-side assertion that the peculiarity of computer technology leads to a polarization of skill, hence wages. “Routine” tasks are constructed as “intermediate” in terms of skill; while “abstract” tasks are “high-skill” and “manual” tasks, “low-skill.” The novelty of the argument amounts to nothing more the loose assumption that “computerization,” measured as “the falling real price of computers,” disproportionately impacts routine work. When intermediate workers are laid off they flow from the lower-wage “manual” tasks, and this superabundance of labor causes wages to drop even further (Autor, Katz, and Kearney 2006, 192-3). Kristal (2013, 369), a sociologist, recently dressed this argument up in “stylized Marxian” language, advancing a “class-biased technological change” argument that attempts to explain labor’s declining share of income (on the latter tendency, see ILO 2013). The sociological explanation is just as focused on computerization so it shares many of the

weaknesses associated with New Classical explanation—but it is a distinct improvement in some regards (see below).

In any case, economists have also updated their “computerization” argument by adding a supply-side factor to their explanation. At present, they argue,

Two forces are shifting the quality of jobs, reshaping the distribution of earnings and job opportunities, and redefining gender roles in OECD economies: employment polarization, whereby job opportunities are increasingly concentrated in high-skill, high-wage jobs and in low-skill, low-wage jobs; and a reversal of the gender gap in higher education, reflecting women’s rising educational attainment and men’s stagnating educational attainment. The result is a labor market that greatly rewards workers with college and graduate degrees but is unfavorable to the less-educated, particularly the less-educated males (Autor 2010a, 16; also see Autor 2010b).<sup>26</sup>

This tendency to lump together haphazardly disparate factors like academic attainment and computerization is hardly new. As Robinson (1972) argued in her Richard T. Ely Lecture before the American Economic Association, economic theory simply does not “account for the content of employment” (p. 6) i.e., “what employment should be for” (p. 8). If economists did so, they would have to explain why modern industry has not led to a great reduction of working hours (and less toil), given its spectacular productive

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<sup>26</sup> Incidentally, the available evidence flatly contradicts the second point. For example, the proportion of workers with “less than high school” education in low-wage occupations dropped by close to 20 percent from 1979 to 2011 while the proportion with “some college” or “college+” nearly doubled. The latter two categories now exceed the former by a 2 to 1 ratio (Schmitt and Jones 2012, 3).

potential. As Kristal (2013, 369) argues, “computer-based technologies are not class-neutral but embody essential characteristics that favor capitalists (and high-skilled workers), while eroding most rank-and-file workers’ bargaining power.” Indeed, the picture is much more complicated if one takes a more realistic view.

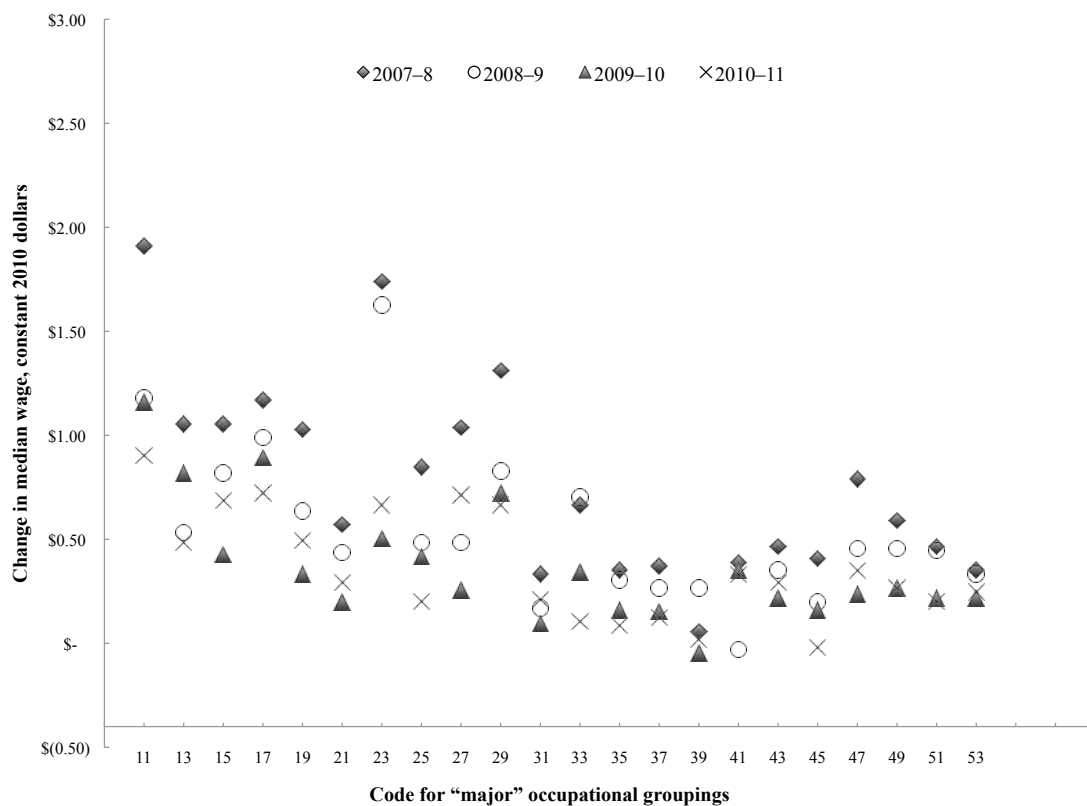
The only salient conclusion one can draw from the two New Classical explanations is that they become indistinguishable they are entirely incompatible theoretically yet somehow converge upon the same political conclusion. Indeed, the political prescription of the New Classical narrative (in either variant) is consistent. Government should be wary of interfering in labor markets. From one side, there skepticism of jobs programs (or unemployment insurance) since it could inflate wage rates to such an extent that they begin to undermine the incentive of business to engage in relatively risky investments in new industries and technologies, delaying the start of a particularly weak “structural” recovery (Groshen and Potter 2003, 8; Coe and Snower 1997). From the other side, the suggestion is that changes in technology and preferences cannot be controlled; they must play themselves out. (As can be seen, “structure,” in this view, more resembles a glacier than a building.) The lesson is that the cause of the malaise lies outside of the functioning of the private enterprise system, so government assistance is misplaced since it only tampers unnecessarily—and potentially disastrously—with free markets.

A short perusal of Chart IV-3 and Table IV-1 indicates that the job mismatch explanation of jobless recoveries is not on firm ground. If it is true that certain industries or occupations are innovating or changing qualitatively, conventional economic theory suggests that pay rates should be increasing (at least moderately) in these areas since they purportedly require newer skills, which most of the workforce fails to possess (DeLong



2012). Even if computers and automated production methods are becoming the norm it seems reasonable to suppose that sectors involved in producing, programming and operating the machinery must reap some of the benefits. Yet, Chart IV-3, which reports the annual change of real median hourly wages by occupation, indicates no such trend: Across all major occupational groupings without distinction, changes in real median wages between 2007 and 2008 are consistently higher than all subsequent years. In addition, the recent change from 2010 to 2011 is consistently lowest.

**Chart IV-3. Annual Change in Real Mean Hourly Wage for Major Occupational Groupings, 2007-2011**



**Sources:** Occupational Employment Statistics. 2007-2011. "National Cross-Industry Estimates," BLS. Accessed September 2012. [http://www.bls.gov/oes/oes\\_dl.htm](http://www.bls.gov/oes/oes_dl.htm); Sahr, Robert. 2012. "Inflation Conversion Factors." Oregon State University. Accessed October 2012. <http://oregonstate.edu/cla/polisci/sahr/sahr>.

**Table IV-1. Job Openings and Unemployment (in thousands) by Industry<sup>27</sup>**

	2001			2011		
	Openings	Unemployed	Openings/ Unemployed	Openings	Unemployed	Openings/ Unemployed
Mining & Logging	14	23	0.61	28	52	0.54
Construction	176	609	0.29	82	1,383	0.06
Manufacturing	312	992	0.31	232	1,373	0.17
<i>Durable Goods</i>	201	630	0.32	160	887	0.18
<i>Nondurable Goods</i>	111	362	0.31	73	485	0.15
Wholesale & Retail Trade	559	945	0.59	427	1,834	0.23
Information	146	190	0.77	104	222	0.47
Professional & Business Services	689	768	0.90	624	1,430	0.44
Education & Health Services	760	463	1.64	582	1,217	0.48
Leisure and Hospitality	570	833	0.68	362	1,527	0.24
Other Services	223	229	0.97	120	551	0.22
Government	447	430	1.04	335	1,013	0.33
Total Nonfarm (all)	4,287	6,801	0.63	3,216	13,747	0.23

**Notes:** The level of openings and unemployed are non-seasonally adjusted. Where industry (major economic sector) breakdowns in each series did not precisely correspond the sector was dropped. The only exception was “Wholesale and retail trade,” in which case the minor sectors from the JOLTS series, “Wholesale trade” (JTU42000000JOL) and “Resale trade” (JTU44000000JOL), were combined to match the major sector, “Wholesale & retail trade” (LNU03032235), from the unemployment by industry series. Durable and Nondurable Goods are subsectors of Manufacturing.

**Source:** “Job Openings and Labor Turnover Survey (JOLTS)” and “Unemployed persons by industry and class of worker,” Bureau of Labor Statistics (BLS).

Table IV-1, which compares the ratio of openings to unemployed by economic sector, fills in more of the picture, revealing that the number of unemployed vastly outnumber

<sup>27</sup> The calculations in Table IV-1 are conservative for several reasons. First, job openings are notoriously difficult to measure given the tendency to double count since listings are often cross-posted; and with the rise of online listings, the problem has only deepened. Second, in 2011 the economy was not technically in a recession, like it was in 2001. The fact that trend is still clear reveals even more profoundly the inanity of the “structural mismatch” thesis.

job openings in every major sector of the economy. In 2001 labor shortages only potentially existed in Education & Health Services, but by 2011 the unemployed outnumbered openings by an average of 4 to 1 and no higher than 2 to 1 in the industry with the narrowest margin (Mining & Logging).

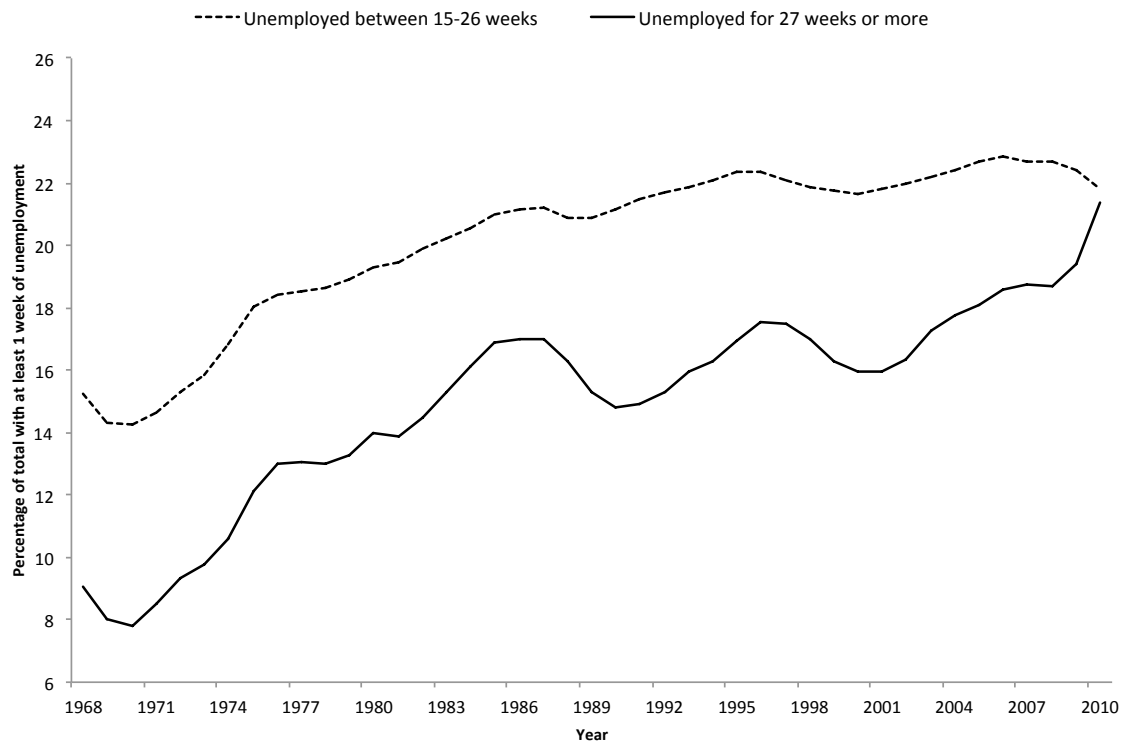
### **C. Experiencing Unemployment**

At the same time that economic performance has been weakening, the character of both unemployment and employment has been changing profoundly. Data from the annual “Work Experience” survey conducted by the BLS brings some of the changes in the structure of unemployment into focus. Unemployment is technically considered “long-term” if an individual experiences a jobless spell of 27 weeks or more over the reference period (1 year). As a result, most analysts ignore other groups with long durations, including those with jobless spells between 15 and 26 weeks—clearly still a substantial period of time. Chart IV-4 plots both of these groups as a percent of all individuals who experienced greater than one week of unemployment. The recent increases have been substantial. In 2006 the rate of long-term unemployment was 18 percent or over 2.6 million unemployed; by 2008 the number had climbed 6.5 percent to 6.4 million, declining modestly to 6 million in 2009. Between 1958 and 1985, the portion unemployed for 15 weeks or more averaged 31 percent; from 1980 to present that rate grew to 39 percent.

When looked at from the side of employment, we find a similar picture. Longitudinal analyses reveal that employment tenure, defined as the period of time a worker is with the same employer, has been declining even among older workers. As a recent summary explains: “Among jobs started by 40 to 46 year olds 33 percent ended in less than a year,

and 69 percent ended in less than 5 years” (BLS 2012, 1). The trend among the younger age groups is in the same direction: After no more than two years 84 percent of 18 to 24 year olds and 73 percent of 15 to 29 year olds changed jobs.

**Chart IV-4. Experience of Unemployment Rate, 15-26 and 27 or more weeks, 1958-2010, \* 5-year Moving Average**



\* Data points refer to the previous calendar year.

**Source:** “Work experience supplements 1988-2011,” Current Population Survey, Bureau of Labor Statistics, <http://bls.gov>. This data set is not publicly accessible but is available by request.

The above trends in unemployment, which rely entirely on official measures, are made to seem tolerable by many commentators because they typically construct the unemployed as “unemployable,” or make scapegoats out of the state, powerless minorities or distant countries (Treas 2010). Such mirages can only be sustained by using a highly restrictive definition of unemployment. Otherwise, the fact that unemployment is chronic (or a necessary requirement of the system) would be all too obvious. In order

fully to comprehend the depth and pervasiveness of unemployment (especially in the U.S.) a new conceptual framework is necessary. In the following section on the social construction of unemployment we develop such a framework.

## CHAPTER V

### THE SOCIAL CONSTRUCTION OF UNEMPLOYMENT

Given its profound importance to policymaking, it should occasion no surprise that the measurement of unemployment has itself been heavily contested. Unemployment data is, and always has been, socially constructed within a specific political-economic order, privileging certain groups over others. As the analysis above implies, an elaborate “protective belt” (Larvor 1998, 52) of hypotheses has been built (consciously or not) by orthodox economists that tends to downplay or naturalize the root causes of unemployment because the anomalies it represents cannot be fitted within the existing neoclassical paradigm (for attempts to do so, see Pissarides 2000; Turner et al. 2001). Ultimately, however, this effort is indistinguishable from the much longer battle of defining the meaning of unemployment itself conceptually. As previous investigators pointed out in an insightful study of “productivity” metrics, it is crucial to investigate the social construction of a “social indicator” if one is to employ it effectively (Block and Burns 1986). When social indicators like productivity or unemployment become a central part of social and economic policy, historical analysis will inevitably reveal the contested nature of their construction. For example, when a large segment of workers coalesced around the idea that wages should be pegged to “productivity gains” in manufacturing, the esoteric measurement of the latter concept turned out to be a potent political tool wielded by capital to crush unions (Block and Burns 1986, 774). That the meaning of unemployment is just as, if not more, hotly contested than productivity, cannot be denied.

“No statistical magnitude,” one early commentator noted, “is more vigorously challenged than is an estimate of unemployment” (Long 1942, 2). This is no less the case today than it was in 1942, as a brief review of the statistical construction of the official unemployment rate demonstrates.

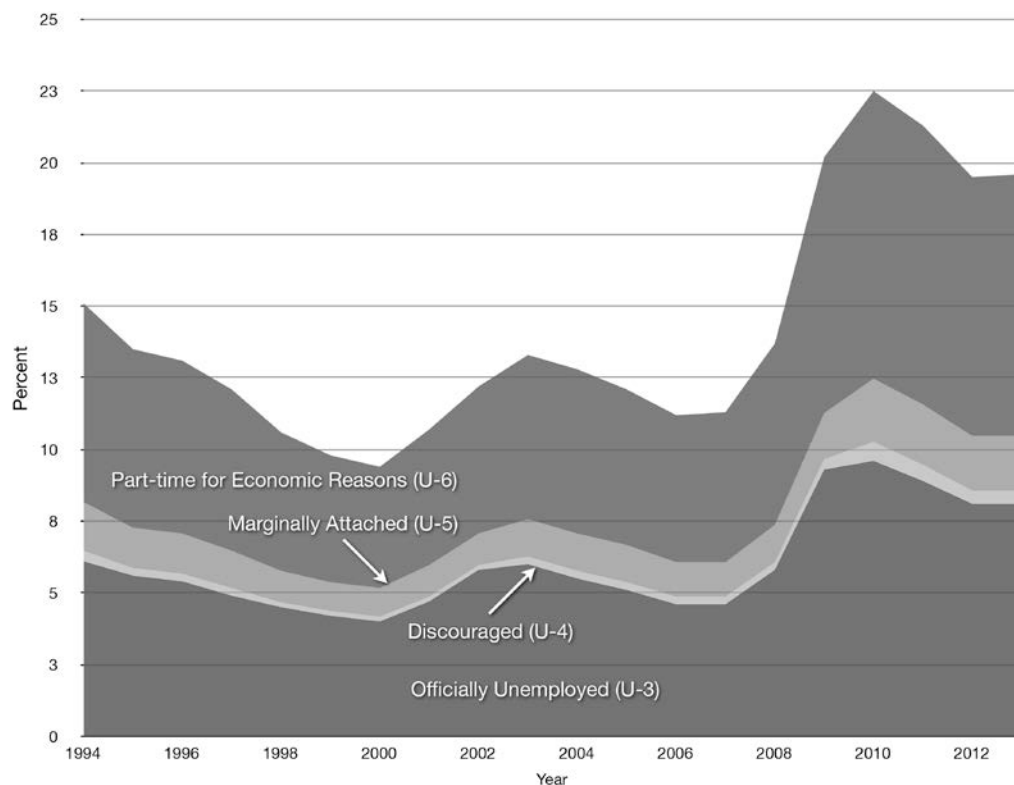
### **A. Official and Alternative Unemployment**

The unemployment rate is gathered from a survey that turns on a respondent’s subjectively determined “level of attachment” to the labor force. The denominator of the official unemployment rate is the “labor force,” as distinct from the “civilian non-institutional population (CLF).” The CLF is the total non-institutional population age 16 to 65 years, and the labor force is the portion of the CLF that is either employed—whether self-employed, part-time or temporarily—or unemployed. To be classified as unemployed, a respondent must be “available for work and actively seeking employment.” Specifically, the person must have searched for a job sometime in the previous four weeks—otherwise they are not considered part of the labor force. The unemployment rate, then, is the number of unemployed divided by the labor force (M. M. Ryan 2010, 4). In 1967, the Bureau of Labor Statistics (BLS) began to record alternative measures of unemployment in response to recommendations by the President’s Committee to Appraise Employment and Unemployment Statistics (Shiskin and Stein 1975, 4). Despite the introduction of these “alternative” measures, the most conservative unemployment rate—which divides the jobless actively seeking work within the last month by the labor force (termed “U-3”)—has always remained the “official” rate.<sup>28</sup>

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<sup>28</sup> Many reporters and analysts now consider the U-6 rate to be the most exhaustive measure of unemployment since people in this group would clearly work more or begin

**Chart V-1. Alternative Unemployment Rates**



**Notes:** The U-4 rate adds “Discouraged workers,” i.e., those available and who have looked for work sometime in the last year but not in the previous month; the U-5 rate adds the “marginally attached” to those included in the U-4 by eliminating the yearlong time frame that defines “discouragement”; and, for the final U-6 rate, all respondents “working part-time for economic reasons” (e.g., because there isn’t more work available) are added to the U-5 total (Bregger and Haugen 1995).

**Source:** “(Unadj.) Unemployment Rates.” Series’ LNU04000000, LNU03327707, LNU03327708, LNU03327709. Bureau of Labor Statistics, <http://data.bls.gov>.

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looking for work if there was more demand. The average U-6 unemployment rate since 1994 (10.5 percent) is nearly double that of the official rate (5.9 percent). The staggering increase in the incidence of long-term unemployment since the Great Financial Crisis of 2007-08 obviously lends legitimacy to the view that the U-6 rate measures unemployment more accurately (Seib 2010).



The alternative unemployment rates, which are reported in Chart V-1, have repeatedly undergone major revisions (Haugen 2009).<sup>29</sup> The changes do not reflect any fundamental reorientation to the problem of unemployment but they do make it impossible to construct a consistent long-term series. The data we do have (from 1994 to present) reveal that it is not uncommon for the rates to move in opposing directions. For example, the U-3 rate may decline at the same time the broadest alternative rate (U-6) remains stable or even increases. This happens because the unemployed eventually give up looking for work and thus cause a contraction in the size of the labor force. Alternatively, the U-3 and U-6 may increase in tandem. At the onset of a downturn mass layoffs are typically combined with the imposition of reduced work hours (and income). At the same time, Chart IV-1 clearly shows that there has been a secular upward movement in the U-3 rate, as evidenced by the continuous upward revisions in the “nonaccelerating inflation rate of unemployment” (NAIRU) since it was first proposed (D. M. Gordon 1988; Gross 1980, 144). Indeed, it should come as no surprise that acknowledgment of the inadequacy of the official unemployment rate has now become widespread (Bernanke 2012; Peach, Bethards, and Song 2011).

This begs the question of why the most conservative measure of unemployment has never changed. Perhaps unsurprisingly, the most critical perspectives on this question developed as a result of fruitful exchanges between post-World War II historians, political scientists, sociologists and economists who were historically linked by the experience of the Great Depression. In addressing this question, scholars in this area

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<sup>29</sup> The BLS currently only reports the most recent data (implemented in 1994) in electronic form because they are not comparable with past measurements (Bregger and Haugen 1995).

ultimately converged upon on a perspective that echoed Marx's reserve army analysis. Ironically, some of these analyses even went further in some regards than contemporary political-economic sociology analyses that explicitly use a reserve army approach.

## **B. Post-World War II Critics of Unemployment**

Bertram Gross, long-time critic of unemployment statistics and author of the Roosevelt-Truman full employment bills of 1944 and 1945, stood at the forefront of this vocal group of post-war reformers and radicals (see, e.g., Gross and Pfaller 1987). These analysts became increasingly critical of unemployment measures when the struggle for a full employment bill unmistakably revealed the strong class forces arrayed against any such effort. Employers were intent on keeping slack in the labor market to maintain a strong bargaining position. The failure to pass substantive measures guaranteeing full employment meant that the U.S. state, which began to play an increased role propping up the post-World War II economy, would have to develop the means to justify a significant amount of unemployment (Eden 1962; Eden 1960). Unsurprisingly, this tendency is common in countries with weak labor organization like the U.S. (Howell 2005). As these early investigators later realized, however, the official meaning of unemployment had already ossified long before the war ended.

In a comprehensive review of the development of the concept of the "labor force," which has hardly changed to this day, one investigator concluded:

Concepts and statistical measures regarding employment, unemployment and employability are conceptual artifacts...[that] are historically conditioned and determined products of a particular economy and society but have no reality in and of themselves. The labor force concept emerged as a response to a job

scarcity economy at a time when society viewed unemployment as the major social problem. The governmental commitment to successfully managed economic growth has resulted in the need for a labor supply orientation which would understate the dimensions of labor supply and hence the quantity of unemployment (Moses 1975, 43-4).

The same author predicted that “new measures...[of unemployment would] not be allowed to intrude on the primacy of the official unemployment rate” without a significant challenge to the existing power structure (Moses 1975, 42).

Extending this analysis, other studies found that the root of the political and institutional edifice built up around unemployment was buried deep within the structure and functioning of U.S. capitalism. In one account investigators argued that a “*job rationing* ideology”—meaning a “system of shared beliefs about who should have access to the job market”—inevitably evolved because “there has always been in this country a chronic shortage of jobs, except during wartime” (Furstenberg and Thrall 1975, 46). The historical response of the state to the chronic job shortage was to manipulate incessantly a range of government institutions—from public schools to welfare programs. Social Security, for example, played an important role not simply in encouraging older workers to withdraw from the labor force but, by penalizing recipients for earning token amounts of income and ignoring investment income, insisting that they withdraw (Furstenberg and Thrall 1975, 51-2). Another example was found in the increase of the average length of primary education. This policy obviously led to the removal of younger workers from the labor force; but it also created a self-fulfilling need for more teachers and raised job requirements artificially, thereby inaugurating the growth of an “education industry,”

which helped further to absorb excess labor in the U.S. (Berg 1970, 178; Braverman 1998).

An additional and highly significant finding was that the ideology of “rationing” percolated into the minds of workers and this had significant implications for the survey methodology underlying the measure of unemployment. Interviews of labor force dropouts found that “most people believe that some individuals have a much greater right to a job than others,” but that these beliefs soften as job market prospects improve (Furstenberg and Thrall 1975, 55, 59). This confirmed the findings of aggregate studies of labor force participation, which revealed that participation rates tended to increase as the unemployment rate decreased (Strand and Dernburg 1964); as well as earlier studies based on a “full employment labor force participation rate” (Eden 1960, 55).<sup>30</sup>

Contemporary movements in the labor force participation lend support to this position. From the late 1990s to present, the labor force participation rate has dropped dramatically, from an historic high of just over 68.1 percent in July 1997 to 63.1 in April 2013 (BLS, series LNU01300000, unadjusted). Economists using the “overall unemployment rate...[as] the primary cyclical indicator” estimated that at least 50 percent of the decline could be attributed to “labor market weakness.” Moreover, if the long-term unemployment rate is used as the indicator, the estimate shoots up to *90 percent* (Romero 2012, 13). These more realistic estimates reduce the probability of “demographic” or “structural” phenomena—which, in their most recent incarnation, play

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<sup>30</sup> The idea was to ascertain “the extent to which...[the] economic system fails to supply full employment to those who ordinarily work in periods of full employment” (Eden 1959, 23).

up the role of aging of baby boomers in decreasing labor force participation (Toossi 2012; Aaronson et al. 2006; Ruffing 2012)—virtually to nil.

### **C. Labor Market Distress**

The contradictions and biases exposed by postwar critics raised substantial concerns about BLS methodology because it ignored the state of the job market and thus tended to understate the number of willing workers, dumping a huge number of people into the nebulous category of “not in the labor force.” Investigators like Gross and Moss (1973, 33) responded by constructing their own estimates of the “unofficial labor supply.” In their analysis of 1971 data for the U.S. they concluded that over 20 million persons could legitimately be added to the 4.7 million officially unemployed, leading to a “real unemployment rate” in excess of 24 percent (1973, 33). It was precisely criticisms such as this that not only forced the BLS to develop alternative unemployment rates but also strongly influenced early conceptualizations of the latter.<sup>31</sup>

We neglected to mention above that the early experiments conducted by the BLS actually resulted in much more critical measures of labor underutilization than the alternative unemployment rates used today. This is evidenced by the appearance of the concept of “subemployment,” which was originally developed by U.S. Labor Secretary Stanly Wirtz to assess inner-city labor markets ostensibly in response to Lyndon Johnson’s “War on Poverty” (Vietorisz, Mier, and Giblin 1975, 4). Alongside the contemporary concepts elaborated above only the last of the original four components of

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<sup>31</sup> There were in fact direct references to Michael Piore, Peter Doeringer and David Gordon (Vietorisz, Mier, and Giblin 1975, 3)—scholars who, not coincidentally, played a central role in the development of the labor market segmentation theories that we review below (Chapter VI).

subemployment is distinctive conceptually. This component identified the layer of the employed population earning poverty-level wages despite holding full-time jobs (Stricker 2007, 108). Against the backdrop of today's massive wealth and income polarization and the profusion of low wage jobs, the central importance of this category, as well as related phenomenon like underemployment, appears self-evident. BLS efforts to develop measures along these lines for the labor force as a whole, however, were stillborn.

Nonetheless, current data sources allow us to make a rough estimation of the level of subemployment and, with the addition of a portion of the incarcerated population, get a clearer picture of the state of the contemporary U.S. labor market. It is well known that the massive growth in the U.S. penal system is strongly inflected by race, ethnicity, citizenship and a number of additional political and historical factors. Yet, critical investigations have recently concluded that the process cannot be understood apart from labor market dynamics (E. Smith and Hattery 2008; Alexander 2011; Gilmore 2007; Western and Beckett 1999). The rapid expansion of prisons and jails in the U.S., argue Western and Beckett (1999, 1052), amounts to a “coercive reallocation of labor,” reducing unemployment in the short term while severely crippling long-term employment prospects of ex-convicts—primarily of black males. The increase in the rate of incarceration has been so rapid in the U.S. that categorizing prime-aged male prisoners as unemployed caused the corresponding unemployment rate to rise by over a third in 1995, from 5.6 to 7.5 percent. Even more revealing is that when the same method was applied to European countries the impact on the unemployment rate was negligible (Western and Beckett 1999, 1041).

**Table V-1. Labor Market Distress**

(values in thousands)	1994	2000	2006	2010	2012
Official labor force <sup>a</sup>	105,966	117,561	125,304	126,057	126,899
Discouraged <sup>b</sup>	1,497	727	980	1,713	1,976
Long-term unemployed <sup>c</sup>	5,446	4,106	4,430	5,072	5,270
Incarcerated <sup>d</sup>	1,013	1,338	1,506	1,549	1,542
Recalculated labor force <sup>e</sup>	<b>113,922</b>	<b>123,733</b>	<b>132,220</b>	<b>134,391</b>	<b>135,687</b>
Officially unemployed <sup>f</sup>	9,055	6,116	7,521	15,764	13,243
Subemployed <sup>g</sup>	4,033	4,071	4,142	3,818	4,119
Underemployed <sup>h</sup>	4,340	3,673	4,786	8,704	8,328
<i>Total labor market distress</i> <sup>i</sup>	<b>25,384</b>	<b>20,032</b>	<b>23,365</b>	<b>36,621</b>	<b>34,479</b>
Official unemployment rate <sup>j</sup>	8.5	5.2	6.0	12.5	10.4
<i>Labor market distress rate</i> <sup>k</sup>	<b>22.3</b>	<b>16.2</b>	<b>17.7</b>	<b>27.2</b>	<b>25.4</b>

**Notes:** Tabulations were designed to eliminate the possibility of double counting. All values except for incarceration levels were calculated using Current Population Survey (CPS) microdata (see below) from the March sample of the given year. In the descriptions below the name of each variable used is capitalized. Because the data were weighted with the WTSUPP variable, the table above is not directly comparable to figures published by the BLS.

<sup>a</sup> Civilian non-institutional labor force 16 years and older. The age condition is used on all subsequent calculations. LABFORCE=2; AGE (> 16).

<sup>b</sup> Not in the labor force but has looked for work sometime in the past year. LABFORCE=1; NWLOOKWK (1 ≥ 52).

<sup>c</sup> Not in the labor force and has not looked for work in the past year but wants a job now. LABFORCE=1; WANTJOB (2 ≥ 4).

<sup>d</sup> Totals for each year were multiplied by the fraction of the incarcerated population (state and federal) between 18 and 59 years of age in 2011, which was 96 percent.

<sup>e</sup> Official labor force + (Active duty military + Discouraged + Long-term unemployed + Incarcerated).

<sup>f</sup> Jobless but has looked for work in the past month. EMPSTAT=21 or 22.

<sup>g</sup> Active, full time workers under the poverty line. EMPSTAT=10; UHRSWORK (≥ 35); POVERTY=10.

<sup>h</sup> Part time due to business conditions, the inability to find other work or the allowable work is less than 35 hrs. EMPSTAT=10; UHRSWORK (< 35); WHYPTLWK=10, 60 or 80.

<sup>i</sup> Officially unemployed + (Discouraged + Long-term unemployed + Incarcerated) + (Subemployed + Underemployed).

<sup>j</sup> Official unemployment as a percent of Official labor force.

<sup>k</sup> Total in labor market distress as a percent of Recalculated labor force.

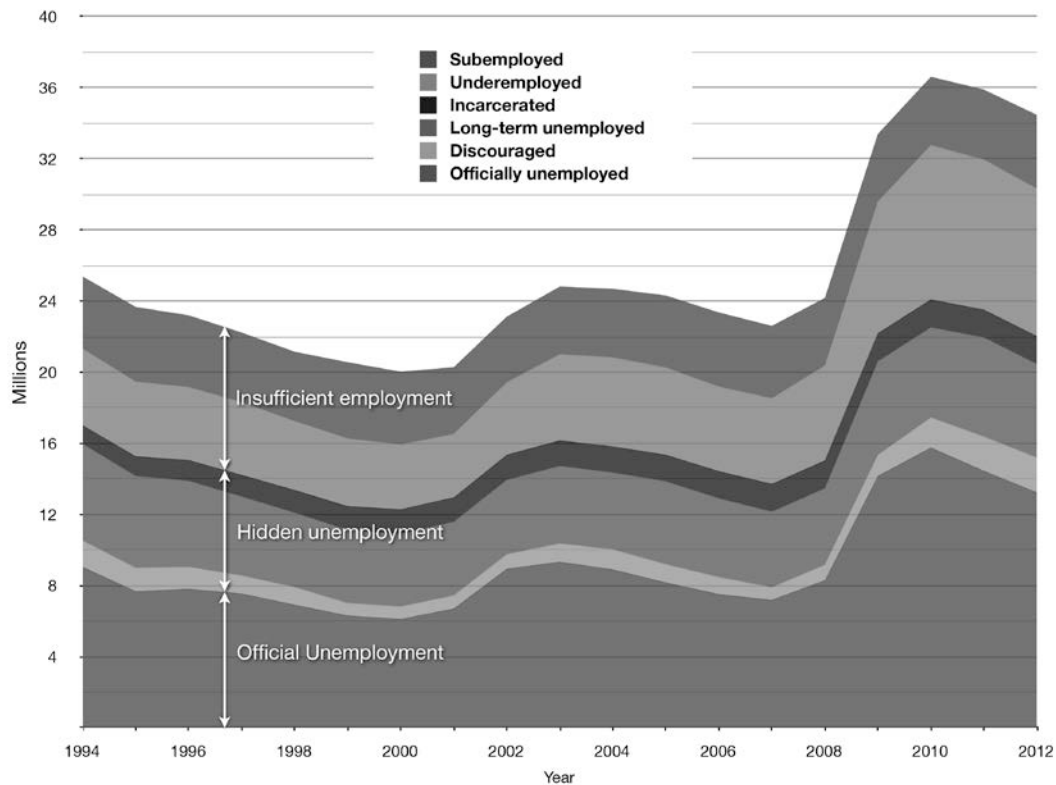
**Sources:** *Integrated Public Use Microdata Series, Current Population Survey: Version 3.0* (2010); Bureau of Justice Statistics, “Prisoners in 2011,” Tables 1 and 7 (Carson and Sabol 2012) and “Prisoners Under State or Federal Jurisdiction” (BJS 2005).

Table V-1 combines the results of subemployment and incarceration with the official and alternative measures of unemployment for selected years. This represents the shades of what the Economic Policy Institute (EPI) has termed “labor market distress” (Mishel and Bernstein 1993). Unlike the term unemployment, “labor market distress” calls attention to the fact that the conditions of employment have tended to worsen along with the rise of unemployment and economic stagnation. It must be emphasized that the measure of subemployment used here is extremely restrictive. EPI’s estimate of subemployment in 1989—which could not be repeated “in earlier or later years” due to “data limitations”—amounted to 21 million individuals, over five times the level reported below for 2012 (Mishel and Bernstein 1993, 17-18). Regardless, the “labor market distress rate”—those in labor market distress divided by the (recalculated) labor force—stood at 25.4 percent in 2012, 10.7 percentage points higher than the U-6 rate.

Adding the incarcerated population to the other two forms of what may be termed the “hidden unemployed”—discouraged and long-term unemployed—increases the number of this segment by over 22 percent for 2012. Within the labor market itself the underemployed and subemployed represent those with “insufficient employment,” and this segment increases by 50 percent with the addition of the subemployed. As Chart V-2 demonstrates, hidden unemployment and insufficient employment represent a substantial portion of labor market distress. Between 1994 and 2012, the number with hidden and insufficient employment was on average almost twice the size of the officially unemployed.



**Chart V-2. Relative Magnitude of the Forms of Labor Market Distress**



**Sources and notes:** See Table V-1.

#### **D. Transcending the Limitations of Socially Constructed Indicators**

The categories underlying labor market distress are obviously useful in many ways, but at the same time there are important weaknesses. It will be remembered from our discussion above (Chapter III.B.1) that when the concept of class was reimported from marginalist economics back into sociology it was reduced essentially to a market relation between competing social groupings. The statistical categories of labor market distress, no less those of the alternative unemployment rate, bear this imprint. Thus, in the interpretation of this data there is a tendency to focus on the personality characteristics of narrow segments of the population to explain high rates of the different forms of labor market distress. This is not to say all measures distinguished by certain social

characteristics are not useful for the purpose of identifying patterns of discrimination that then lead to disproportionate levels of unemployment. Indeed, it is well known that race, sex, age, citizenship and geography all strongly amplify the experience of unemployment (Mishel et al. 2012, 339). At the same time, however, such statistics can and often are used to define certain segments of the population pathological, and thus take attention away from broader contradictions associated with capitalist labor markets (Chris Tilly and Tilly 1994 makes an attempt at integration). This suggests that the interpretation of official statistics, even when used critically, can lead to significant confusions *outside of the context* of a broader theory of unemployment.

Postwar critics were already quite sensitive to this problem and, consequently, developed surprisingly robust and prescient critiques—even relative to those of today. Guy Standing (1987), coordinator of labor market research with the ILO at the time, went furthest by shifting focus entirely away from behaviorally-determined unemployment measures<sup>32</sup> to an “alternative perspective” of “surplus labor” that drew explicitly on Marx’s sociological categorizations of the reserve army of labor. Standing argued that large labor reserves existed in all capitalist economies, and that their absolute size and extent depended on the “type of productive structure, the prevailing social relations of production, the development strategy being pursued, and the state policies accompanying it.” An especially worrisome development was the growth of an “international division of labor” (aided by technological changes) that increased immediately available, or “active,” labor reserves worldwide. In industrialized economies, this contributed to the growth of

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<sup>32</sup> “The job-seeking criterion should not be used to identify voluntary unemployment; it is unreasonable to expect workers to expend time, energy, morale, and money in searching for jobs known to be unavailable” (Standing 1987, 91).

“stagnant surplus populations—represented in part by high total unemployment and an unprecedented growth of long-term unemployment—along with a shift toward casual labor, part-time working, labor subcontracting, and related forms of self-employment.” Moreover, all but the “active” layer of the surplus population tended to be excluded from official unemployment statistics. The implication is that the “realistic potential—long-run—labor supply” dwarfs the size of the statistically constructed “labor force” of official reports—especially in peripheral (and semi-peripheral) countries (1987, 81-2; also see Ahearn 2012).

Standing’s analysis reveals the importance of using a broader conception of class to conceptualize the development of unemployment. This becomes increasingly important with the internationalization of production, which has tended to agglomerate disparate pools of actual and potential labor and vastly complicates the relation of labor to capital. Labor is capable of traversing national boundaries but this seldom happens under beneficial conditions. Moreover, capital has always moved much more rapidly and freely. Some examples of this asymmetry include: the promotion of transmigration within parameters set by highly restrictive work-visas (Guskin and Wilson 2007, 114-15); the tapping of “latent” through the destruction of indigenous agricultural industries via mechanization (Amin 2003); and, in addition to outsourcing and offshoring, virtual work environments which use communications improvements to restructure and tightly monitor labor processes in remote locations (Wagstaff 2012; Aneesh 2009). Despite the seemingly impenetrable edifice of globalized, ‘flexible’ production that has emerged, it is not impossible to comprehend. In pursuing the more comprehensive (and necessary) task

of clarifying the logic driving these processes, a thorough understanding of Marx's theory of the reserve army proves essential.

## CHAPTER VI

### FROM UNEMPLOYMENT TO THE RESERVE ARMY OF LABOR

The preceding analysis suggests that the reserve army of labor analysis developed by Marx, and applied to our time (although incompletely) by political-economic sociologists and heterodox (political-economic) thinkers within economics, offers—if expanded upon more fully based on Marx’s original foundational views—the key to unlocking the various seemingly anomalous features of unemployment. Even though contemporary economic sociology appears to accept the disciplinary boundaries established by orthodox economics, a critical, political-economic sociology arising out of classical sociology, and frequently defying disciplinary boundaries separating sociology from economics, continues to have salience in the discipline. This includes not only those working in the area of the political economy of the world system, but also those political-economists who operate within the domain of economic sociology itself, and often cross over into economics per se. Many of these thinkers are associated with radical and Marxian traditions. Exemplary works in this regard related to the theories of economic accumulation and unemployment by sociologists include important contributions by such figures as Mills (2000), Braverman (1998), Domhoff (2002), O’Connor (2001), Foster (1986), Arrighi (1999), Wallerstein (1974), Chase-Dunn (1975), Wright (1978), Burawoy (1982), Attewell (1984), Block (1990), Schor (1991), Piven and Cloward (1993), Aronowitz and DiFazio (2010), Polanyi-Levitt (1996), Krippner (2011).

All of these thinkers, representing political-economic sociology, are closely related to traditions in radical or heterodox political economy within economics. Such sociologically-oriented heterodox economists have long drawn their inspiration from Marx, Veblen, and Polanyi in particular. Accordingly, we briefly review the development of relevant theories within political-economic sociology from the standpoint of their antecedents.

### **A. Social Structures of Accumulation**

Dual labor market theory, the precursor of labor market segmentation theory, was first developed in the 1950s by critical “institutionalist economists” inspired in part by Veblen (Stoneman 1979)—whom Mills (2000 p. vi) referred to as “the best critic of America that America has produced.” The institutionalist tradition of economics most fully overlaps with sociology so it should come as no surprise that labor market segmentation theory, which fuses Marxist and institutionalist perspectives, has formed the basis of nearly all sociological analyses of labor markets (Attewell 1984). Initially, Dual labor market theory was concerned with explaining the racial bias in labor markets, particularly in urban areas (Piore 1970; Piore 1975; Doeringer and Piore 1985). Subsequently, a group of left-leaning economists (Bowles, Gordon, and Weisskopf 1985; D. M. Gordon, Edwards, and Reich 1982; Edwards, Reich, and Gordon 1975) extended dual labor market theory by explicitly relating worker and employer behavior to the industrial and occupational structure of capitalism, further refuting “blame the victim” arguments that focused on supply-side problems such as worker skills, education, “culture,” etc. This was accomplished by placing the early models of dual labor market within a neo-Marxian framework, which put the contradictions of class and accumulation

at the center of the analysis. Analyses within this tradition often turned neoclassical and Keynesian frameworks on their head by explicitly integrating class power through the dynamic impact of the reserve army labor (Schor 1987).

For a time there was sustained engagement with other strands of political-economic sociology. For example, the historical evolution of capitalism from its competitive to monopolistic stage developed by Baran and Sweezy (1966), O'Connor (2001), Braverman (1998) and Marglin (1975; 1974) remained at the center of the analysis of several foundational works emerging from out of the labor segmentation tradition. For example, Edwards (1979; 1975), detailed how the appearance of the oligopolistic firm had profound implications for the organization of the labor process—specifically the development of new methods of coercion and control that formed dividing lines within labor markets. However, as labor market segmentation theory developed, investigators turned increasingly toward institutionalist perspectives and the bond between radical political economists and sociologists weakened. Leading proponents argued that “an intermediate level of analysis, focusing on the logic of long swings and stages of capitalism,” was “necessary for an understanding of capitalist development.” This was needed “to complement both the traditional and abstract Marxian approach to capitalist development and the more recent concrete analyses of everyday life” because the Marxian tradition had failed “to capture the breadth and complexity of the process of capital accumulation” (D. M. Gordon, Edwards, and Reich 1982, 22).

The orientation toward institutional transformation was enshrined in the concept of “social structures of accumulation” (hereafter, SSA). Mirroring the “long swings” of capitalist development, the SSA symbolized relatively constant (though inherently

unstable) periods “during which the social, economic, and political institutions supportive of capitalist accumulation are: (a) explored; (b) established and successfully reproduced; and (c) threatened by internal contradictions within the institutional structure, calling forth a period of decay and exploration” (Pietrykowski 2003, 484). The SSA outlook converged in large part with the “capitalist regulation” approach developed in France (Aglietta and Fernbach 2000), linking stages of capitalism with loosely defined periods of stasis, or “accords” between capital and labor. The most notable of these “accords” was subsumed under the term, “Fordism” (Kotz 1994; McDonough 2010). As one might expect, it is through this “Fordist” lens that many contemporary studies attempt to resolve the problem of worker precariousness. According to this view, the decline of the “traditional job”—understood as a “marriage-like bond between employee and employer” (Dooley and Prause 2004, 8)—post-World War II, symbolized the dissolution of the Fordist regime and transition to “post-Fordism” (Piore and Sabel 1984). The decline, in this conception, was instigated by a profit squeeze crisis during the 1970s, which ultimately forced a transition to leaner and more oppressive labor market structures (Lipietz 2001; Lipietz 1989; Bowles, Gordon, and Weisskopf 1985).

## **B. Sociological Contributions To SSA**

Early on, sociologists added additional layers of complexity to labor market segmentation theory, in particular by emphasizing the importance of occupational, in addition to industrial, segmentation in unequally structuring labor markets. Along the lines of early dual labor market theory, sociologists used the labor market segmentation framework to explain the class, racial and sexual bias of labor markets—in contradistinction to notions of “culture of poverty” and other narratives emphasizing



“innateness,” as well as to defend against conservative supply-side theorists intent on blaming workers for the return of stagnation in the late 1970s (Bonacich, Alimahomed, and Wilson 2008; Bonacich and Appelbaum 2000; Treas 2010; W. Ryan 1976). As sociologists advanced and refined labor market segmentation models, however, the majority of energy and debate over labor markets came to be expended on methodological minutiae, eliding the general validity so obvious to those who paused to reflect on the project as a whole. In an important review of sociological contributions to labor market segmentation, Attewell (1984, 83) chose “not to dwell” on the more methodologically and empirically rigorous extensions developed by sociologists, because they “typically corroborate[d] the prior findings on economic segmentation.” This marked a divergence between theories of labor markets and unemployment within political-economic sociology, as the bond between radical political economists and sociologists began to weaken.

The early work of Schervish (1985; 1983; 1981) stands out as a partial exception to this trend, and as an exceedingly rare example of sociological inquiry into the specific problem of unemployment. Not coincidentally, Marx’s theory of the reserve army of labor formed the backdrop of his entire analysis. Schervish theorized unemployment as a power relation wherein workers were more or less vulnerable depending on the “resources” and “capacities” embedded within occupations and sectors of the labor market (Schervish 1981, 154-7). In highlighting the unequal power relationship that conditions capitalist labor markets, Schervish focused attention on the way that structural determinants of unemployment augmented (and sometimes overshadowed) “individual” determinants. To make an empirical case, Schervish decomposed unemployment into the

statistically available types of “job separation” (i.e., temporary layoff, indefinite layoff, firing, or quit) and then attempted to predict separation patterns by analyzing the “underlying social processes of vulnerability and power derived from class fraction,<sup>33</sup> economic sector [oligopolistic, competitive or state], and period in the business cycle in which the separation occurred” (Schervish 1983, 11). Schervish concluded that employment segmentation closely mirrored unemployment segmentation.<sup>34</sup>

Ultimately, however, the major labor market segmentation theorists, as well as Schervish, adopted only limited and one-sided approaches to Marx’s reserve army theory. Gordon, Edwards and Reich (1982) thought that the reserve army concept was too abstract, providing no clear guide for understanding the complexities of contemporary labor market institutions. In later work, Gordon (1996, 88-90) argued “for placing greater priority on the problem of wages than on the problem of unemployment in the United States,” effectively severing the connection between the two. Similarly, Schervish (1983) claimed that Marx had not developed a sociological grounding for the theory of the reserve army, and ignored entirely its long term implications. This tendency is exemplified by the recent work of Lipietz, who has argued that the rise of essentially

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<sup>33</sup> Using occupational census data, Schervish attempted (not unproblematically) to categorize workers into social classes based on “technical relations of production of work-task criteria” (Schervish 1983)—in other words, by degree of control over the labor process.

<sup>34</sup> Sociologists have continued to engage with the SSA tradition, leading the way in “detailed application of the SSA framework,” and even developing an original perspective, termed “spatialization” (Wallace and Brady 2010), that attempts to identify the current, globalized SSA (McDonough 2010, 26-7). Although these investigators implicitly accept the basic SSA framework, the foregoing analysis suggests that they might benefit from grounding future work in a more robust framework that we develop below, rooted in a classical reserve army perspective.

“permanent” unemployment is “a novelty in the core capitalist societies.” The contemporary masses of unemployed, we are told, “is no longer a ‘reserve army,’ but a population that capitalism does not need any more, not even to discipline stable workers with the threat of dismissal” (2001, 27).

These viewpoints highlight an unfortunate tendency to view the reserve army in a disembedded and restricted fashion—i.e., exclusively as a mechanism endemic to the accumulation process that, for example, causes a profit squeeze at the peak of a business cycle (Boddy and Crotty 1975; Basu, Chen, and Oh 2011) and serves only to discipline workers at other times. The weakness of labor market segmentation theories of unemployment, with their emphasis on the profit squeeze (largely irrelevant today; Harvey 2010a, 66; Brenner 2006; Foster 1997, 449),<sup>35</sup> is that they neglected crucial dimensions of classical contributions (e.g., Marx, Luxemburg and Veblen). As a result, investigators ignored the greater part of Marx’s analysis in this area, and especially its sociological significance. Marx not only suggested that more or less “permanent” unemployment was a possibility, as we shall see below (Chapter VII.C), he predicted that it would grow and even identified which parts of the working class were likely to become the most precarious through careful analysis of the changing methods of production.

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<sup>35</sup> As SSA theorists have acknowledged, researchers have had significant difficulty explaining why no new SSA has coalesced since the 1970s—or, conversely, why the current crisis has lasted so long. Given the central importance attached to periods of stasis, the present extended crisis has obviously presented SSA analysts with a series of difficult theoretical conundrums (McDonough 2010).

## CHAPTER VII

### THE CLASSICAL THEORY OF THE RESERVE ARMY OF LABOR

Despite the importance of SSA theory, the foundation laid by its earliest proponents forms a barrier to developing a classical sociological analysis of unemployment. SSA theorists recycled an ahistorical and uncritical version of the general law that in some cases actually rendered it indistinguishable from neoclassical formulations, such as the NAIRU (Sherman 1976b, 56). In their account the general law was reduced to a cyclical theory with predictable stages, and the reserve army was treated quite narrowly, as a buffering mechanism. The explanation proceeds as follows: 1) the boom phase of the cycle increases the demand for labor, exhausting the reserve army and stimulating higher wage demands from workers; 2) high wages eventually cut into profits 3) the erosion of profits dampens the “capitalists’ animal spirits” causing a reduction in investment spending; 4) finally, slack investment signals a downturn, hiring tapers off, ultimately leading to “higher unemployment, and a replenishment of the reserve army” (Pollin 1998, 4; Weisskopf 1978; Boddy and Crotty 1975, 9).<sup>36</sup> The most immediate problem for this theory is its empirical basis, which is nonexistent (see Carchedi 2011, 138-43). Careful analyses of business cycles reveal that changes in income toward the end of an expansion are either miniscule or nonexistent for the vast majority of workers. The observation that

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<sup>36</sup> See Foster (1997) and Brenner (2006) for a full discussion of the contradictions of the version of profit squeeze theory developed by the early proponents of the SSA approach (Bowles, Gordon, and Weisskopf 1989; D. M. Gordon, Weisskopf, and Bowles 1987).

wages rise as a share of national income is thus straightforwardly explained by the fact that profits fall rapidly in this same period, and for reasons entirely independent of wage movements (Sherman 2010, 53; Sherman 1984, 104; Sherman 1979, 11)—such as, for example, the ripple effect of widespread “uncertainty” within financial markets, as exemplified by the implosion of markets for “subprime mortgages” that sparked the Great Financial Crisis of 2007-08 (Schumer and Maloney 2007).

From a theoretical standpoint the SSA interpretation of the general law is even more vexing—even if we consider Chapter 25 of *Capital* in isolation. No more than 10 pages in (to a 108-page chapter) Marx dropped the assumption—explicitly introduced simply as an artificial point to be subsequently removed in the development of his argument—that technology remained constant. Insofar as the more mechanical reserve army theorists focused on the first section of Marx’s chapter on the general law, where he assumed no technological change and hence a possible squeeze on profits by wages,<sup>37</sup> they thereby excluded Marx’s discussion of the reserve army itself, the full analysis of which is introduced only when he drops this assumption. Even a superficial reading of Chapter 25 shows that Marx was not actually concerned with declining profits or business cycles in developing the general law, but with uncovering the mechanisms unique to the capitalist system that prevented crises (such as a chronic labor shortages) from occurring in the first

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<sup>37</sup> We hasten to point out that the notion of a “profit squeeze” is highly questionable even if one ignores all but the first section of chapter 25. “The law of capitalist accumulation,” Marx explains at the close of this section, “mystified by the economists into a supposed law of nature, in fact expresses the situation that the very nature of accumulation excludes every diminution in the degree of exploitation of labour, and every rise in the price of labour, which could seriously imperil the continual reproduction, on an ever larger scale, of the capital relation” (Marx 1977, 1:771-2, emphasis added).

place.<sup>38</sup> The central mechanism governing this process was, indeed, the reserve army of the unemployed.

### **A. Outlines of The General Law of Accumulation**

One of the great fallacies of modern economic discourse is the claim that the never-ending drive to accumulate ever more capital—the motive force of the system of commodity production (Hunt and Lautzenheiser 2011, 235)—also (and incidentally) gives rise to harmonious social relations.<sup>39</sup> To support this assertion, mainstream economic theory, working at a perilously distant level of abstraction, conceptualizes capital, land and labor as interchangeable factors of production with equivalent quantities of social power.<sup>40</sup> The bold, perpetually innovating entrepreneur is then introduced into the latter scenario, adding an essential dynamism to the process (Schumpeter 1936). By repeatedly reinvesting profits into new productive capital the entrepreneur ensures that

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<sup>38</sup> As Hunt and Lautzenheiser have pointed out, “Marx’s assertion that the profit rate tended to fall.... was merely a theoretical, or taxonomical, device for identifying various forces” that could lead to the *opposite* result (Hunt and Lautzenheiser 2011, 238).

<sup>39</sup> While the population is encouraged to believe that the market economy exists for a vague assemblage of reasons—for example, to distribute scarce resources, provide jobs, satisfy needs, develop technology, and so on—it is no mystery that it routinely fails to deliver. These “higher goals” are little more than window dressing: As any economics textbook will attest, the “the interests of capital or of the capitalist class are made into those of the economy as a whole” (Linder and Sensat 1977, 1:7).

<sup>40</sup> When confronted with overwhelming evidence of class conflict and disharmony, the tendency is for proponents to conflate “capitalism” with “democracy” or “freedom.” Capitalism thus takes on the guise of “the market,” and is held up as an irreproachable means of preserving liberty and choice (Lindblom 2001 236-250). The effectiveness of this approach is especially obvious during periods of economic crisis when the need to deflect attention away from the inner-workings of the capitalist economy heightens. This cues a shift in focus to the state, a neutral arbiter that (at least in the U.S.) is seen as the *de facto* “manager” of the economy.

each new phase is constantly renewed at a higher plane of development. (For many proponents of this view, steadily increasing “productivity” is the only conceivable way to expand the economic pie and avoid crisis.) Formed on the foundation of methodological individualism,<sup>41</sup> this perspective naturally leads to inordinate focus on the psychological proclivities of the entrepreneur (capitalist), and neglects any consideration of the potential contradictions that accumulation presents for the system as a whole. There is little room here for the external, coercive laws, emergent feedbacks generated by the cumulative actions of capitalists, power struggles between workers and capital (or competition between workers themselves, and also nations), etc. (Bagchi 2005, 38-9) and numerous other internal, external and/or social factors affecting the level of unemployment and business conditions more broadly. Accordingly, the real-world effect of this insatiable accumulation drive upon workers, the environment and the stability of the economy as a whole disappears into the background.<sup>42</sup>

In stark contrast, Marx was the first political economist to subject the growth imperative of capital to critical theoretical and empirical examination, and as a result he

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<sup>41</sup> Schumpeter (2007), and especially Hayek (1943) and Popper (2002, 125-6), were early and vigorous defenders of methodological individualism. The argument is that beginning with individuals, and especially “ourselves about whom we know most,” makes it possible to construct realistic assumptions about human nature. Then the analyst can build up “wholes from...previously analyzed individual parts. In this way we are supposed to get scientific knowledge which is valid for all times and places” (Sweezy 1953, 334).

<sup>42</sup> The majority of classical economists (so identified by Marx) acknowledged and even praised the growth imperative of capital because it served their goal of defending the nascent capitalist class against the protestations of the feudal aristocracy. While classical economists were forced to grapple with many of the contradictions inherent to the accumulation process in response to criticisms by sympathizers of the aristocracy (such as Malthus), critical investigations ceased abruptly with the eventual triumph of capitalist social relations (Marx 1977; also see Marx 1991, 3:351-2).

systematically addressed the broader issues raised above.<sup>43</sup> By Chapter 25 of *Capital*, vol. 1, Marx, turned his attention to the impact of the accumulation drive on the “fate of the working class” (1977, 1:762). The “general law of capitalist accumulation,” in which the reserve army figures prominently, represents a distillation of Marx’s entire effort in the preceding chapters. Considering this backdrop, it should come as no surprise that the development of the reserve army concept was very significant. It not only represented an important innovation, it epitomized a radically different approach to economic growth and crisis. First, the reserve army resolved a major anomaly within political economy at the time: why profit rates did not decline “inevitably” as accumulation proceeded (Hunt and Lautzenheiser 2011, 238-9; Dobb 1973, 153-4). Second, by developing a detailed sociological categorization of the reserve army, Marx strongly anchored his own empirical insights and laid a firm basis for subsequent investigations into employment and unemployment. In this regard it is especially important to recognize that the empirical case Marx developed convincingly demonstrated that the reserve army formed a permanent component of the accumulation process. The transitory (cyclical) character of the reserve army was in evidence only under exceptional conditions. Third, and finally, the continued growth and persistence of the reserve army lent strong support to a theory of crisis Marx had developed to an impressive degree. This referred to the possibility of generalized over-production of means of production—i.e., of machines, workers, commodities, etc., “in so far as *these function as capital*” (Marx 1991, 3:364)—or

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<sup>43</sup> A key innovation here is the theoretical distinction between use-value and exchange-value. By making this distinction Marx was able to demonstrate that production under capitalist social relations, which focused on exchange, diverged fundamentally from the social needs of society, defined by use.



“overaccumulation” (Clarke 1994, 235-40). When means of production fail to create additional value (i.e., are not realized in sale or use) the capital invested is lost. A chronic state of overaccumulation<sup>44</sup> is synonymous with a pool of redundant workers “who are not employed by this excess capital on account of the low level of exploitation of labour at which they would have to be employed, or at least on account of the low rate of profit they would yield at the given rate of exploitation” (Marx 1991, 3:364). Incidentally, this strand of Marx’s thinking, which has largely been neglected by political-economic sociologists, represents a crucial link to the theory of monopoly capital, as we discuss below.<sup>45</sup>

## **B. The Reserve Army of Labor**

The stereotypical account of the general law mistakenly assumes no technological change. In reality, competition obliges capitalists constantly to revolutionize the means of production, in large part because the only way to stay competitive is to accumulate endlessly (Marx 1977, 1:739). Since introducing labor-saving processes and machinery is the primary means to this end there is a strong tendency to reduce labor costs, so as to

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<sup>44</sup> The complexity of overaccumulation theory arises from the need to distinguish (and/or integrate) periodic from chronic overaccumulation; and, further, to determine the precise origin of the latter form (Sweezy 1981, 33-4).

<sup>45</sup> There are numerous places where Marx states that the antagonistic character of production is a feature endemic to capitalism. In volume 2 of *Capital*, Marx draws out many of the implications of this contradiction as part of the elaboration of his reproduction schemes (see, for example, 1981, 2:391-3). We provide more details below but this brief excerpt by Sweezy (1984, 53) provides some context: “This contradiction between the power of production and the power of consumption, between self-expanding value and contracting use value, vents itself in crises and stagnation which capitalism seeks to overcome not through producing what the workers need to live decent lives (that would be to negate its own nature), but by creating irrational and inhuman modes of consumption more in keeping with the spirit of capital.”

keep wages in check; and this is typically achieved by reducing the amount of labor<sup>46</sup> necessary to produce a given output. Capitalists may resort to a variety of methods of transforming the production process provided, *ceterus paribus*, that they reduce the amount of necessary labor time per unit of output—or, what amounts to the same thing, increase labor productivity (Marx 1977, 1:789).<sup>47</sup> In addition to investing in labor-saving machinery, which is often (and incorrectly) assumed to be the only possible option,<sup>48</sup> other tactics include: increasing the pace of work; increasing the length of the work day; favoring more precarious layers of the workforce (especially women, migrants,

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<sup>46</sup> The term “amount of labor” is not synonymous with “number of laborers.” This nuance arises from Marx’s conceptual elaboration of three concepts—productivity, duration, and intensity—which cover the methods available to decrease the ratio of labor time to output. Technically, only “productivity” improvements hinge on changes in the conditions of production (for example, new methods, machines, etc.). The difference between productivity and, for example, lengthening the working day (duration) or increasing the pace of work (intensity), is considerable when it is recognized that in the latter case no additional capital is required to achieve the same result: greater output (Marx 1977, 1:655-66; also see Kay 1979, Chapter 6).

<sup>47</sup> The BLS consistently measures the ratio of wages to output, which it terms “unit labor cost” (M. M. Ryan 2010, 243), for the leading capitalist countries. Incidentally, the countries with lowest unit labor costs tend to be dominant economically (International Labor Comparisons 2012).

<sup>48</sup> The belief that capitalists tend inevitably to integrate ever more advanced machinery (enshrined in the idea of the fully automated factory or, more common today, robotics) is, in the dominant view, axiomatic. This brings to mind the brilliant passage from *The Communist Manifesto* extolling the technical prowess of the bourgeoisie (Marx and Engels 2005, 44), which is frequently cited as proof of the latter tendency—and, at the same time, of Marx’s “technological determinism.” Anyone who cares to read *Capital*, however, will immediately identify such assertions as willful ignorance at best and, at worst, blatant opportunism. After a similar refrain that includes the aforementioned passage in a long footnote, Marx points out that in its capitalist form modern industry also “reproduces the old division of labour with its ossified peculiarities.” The form of technical development is suited to capital, not the worker. This “absolute contradiction,” so far as the majority of workers are concerned, only portends greater intensification and hastened entry into the reserve army—and to an increasing extent as the contradictions of accumulation mount (Marx 1977, 1:617-18, 568-9).

undocumented workers, and other minorities); relocating production to different regions or countries (with lower relative wages); etc. (see Marx 1991, Ch. 14; Harvey 2010b, 325; Sweezy 1942, 97-100). The net effect of the various actions of individual firms is constant reproduction of the reserve army, which moves independently of the absolute population level.<sup>49</sup>

The extraordinary transformation of the U.S. economy over the World War II period provides a rare opportunity to assess the enormous flexibility afforded by the reserve army; and, ironically, the same example reveals why the reserve army must exist continuously, in spite of the fact that the mass of profits is significantly greater near full employment. Upon entry into the war the U.S. economy increased output at an unprecedented pace despite the loss of millions of male workers to the war effort. Integration of the massive number of unemployed sustained the expansion initially, but the breakneck pace of production would have been impossible to sustain without the massive increase in female workers. The latter comprised 60 percent of the 10 million new labor force entrants from 1940 to 1945, and took up critical positions in

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<sup>49</sup> This explanation stood in sharp contrast to theories that linked wages with the absolute size of the working population (or any of its supposedly peculiar characteristics). “Every particular historical mode of production,” Marx (1977, 1:784) argued, “has its own special laws of population, which are historically valid only within that particular sphere.” This was a direct response to Malthus, whose “law of population” hypothesized that “an increase in real wages above subsistence level... would lead to an increase in population which, owing to the decreasing returns to the land, would lower the real wage again until it reached an ‘equilibrium’—the subsistence level.” In Malthus’ theory, Marx “perceived... the hidden intention of offering a general apology for all the ills of capitalism, by making out that poverty was a law of nature” (Steindl 1976, 247; Marx 1977, 1:289). While few would defend the “law of population” in its “iron law of wages” form today, mainstream economics still clings to a naturalized view of unemployment, i.e. as “market failure”—the system not working like it should under “optimal” conditions. For Marx, this “failure” resulted in the reproduction of the reserve army, and thus made the whole system of surplus production possible.

manufacturing. This extremely rapid increase of the labor force illustrates the great depths of the reserve army and of course puts the lie to supply side claims of a worker skills gap. However, female workers were massively demobilized from all “traditionally male” occupations following the end of hostilities, and mass layoffs were particularly abrupt in the most technical (higher-wage) occupations (Medvin 1950, 196-7; Enloe 1980, 44; Schweitzer 2010, 90-1).

To grasp the importance of this moment, one must appreciate the fact that strikes continued to increase in both frequency and intensity from 1935 right through 1949, peaking in 1946 (Medvin 1950). This trend did not go unnoticed by the largest employers. Although the assault on organized labor was interrupted by the war (having already begun in 1938), the militarized economy allowed corporations to concentrate their power significantly (Koistinen 1973, 478; Piven and Cloward 1979, 164). As a result, they took decisive action to counter organized labor soon after the war ended. On the political front corporate efforts culminated in the brazenly reactionary Taft-Hartley Act (passed in 1947), which summarily reversed the growth in union membership (Piven and Cloward 1979, 168-70). On the economic front, employers—who viewed the return of millions of male workers and an evaporation of wartime demand as a potentially disastrous combination—were only too willing to eliminate women from core industries by exploiting the resumption of sexist stereotypes. In total, some 2.5 million women left the labor force in the first year of peace, significantly restocking the reserve army of labor. Despite this initial demobilization, rapid postwar growth ensured that labor demand was vigorous for much of the decade (MLR 1946, 669-70). Women, however, were completely closed off from the high-wage positions they had held during the war,

and instead forced back into the growing labor reserves of industries and occupations “that had always employed women” (Schweitzer 2010, 90).<sup>50</sup> Once the men returned, remarked Lola Weixel in the classic film “The Life and Times of Rosie the Riveter,” “We were no longer comrades in arms, we were competitors for what little there was. It was a very sharp contrast indeed because there was a lot of money going around but it wasn’t in our pockets.... It was over for us.” This meant restoration of the patently discriminatory wage norms necessary to satisfy the rate of exploitation demanded in such industries.<sup>51</sup> “I could always get these jobs even though I didn’t want them,” said Wanita Allen. “Any time it was a restaurant job, or a dishwashing job, or a kitchen job... I always felt like blacks could get those because they save those jobs for us” (Field 1980).

The actions taken by capital in this period indicate that the significance of the reserve army is deeper than is typically asserted—e.g., as a buffer to protect profits from wage demands. Profits, while obviously of central importance, are invariably conditioned by factors independent of the wage rate (as exemplified by the tendency of overaccumulation described above). “The rise and fall of wages is only a mechanism through which capitalists are compelled to develop the forces of production,” and does

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<sup>50</sup> The tendency to attract and repel groups of vulnerable laborers is an enduring characteristic of the accumulation process, as our resolution of the third anomaly below demonstrates.

<sup>51</sup> In this connection, it is important to note that “female” industries and occupations continued to grow at the same time as “traditionally male” sectors (for example, manufacturing) steadily contracted. This process is sometimes referred to as the “feminization” of labor, but the term is misleading. The incomes of both men and women alike have actually polarized to a significant degree (Morris and Western 1999, 628). This suggests there are deeper forces involved in the changing nature of occupations, which are superficially (though not insignificantly) affected by the persistence of patriarchal relations.

not determine the pattern of accumulation (Clarke 1994, 254). The crucial importance of the reserve army, according to Marx, is that it sets the background conditions “against which the law of the demand and supply of labour does its work. It confines the field of action of this law to the limits absolutely convenient to capital’s drive to exploit and dominate the workers” (1977, 1:792). For owners and managers, the absolute necessity of the reserve army is viscerally felt when strong labor demand tips the scale of power toward workers, who immediately begin to challenge all facets of the labor process, not simply wages.<sup>52</sup> It is the broad impact of the reserve army of labor that gives capital the power to maintain acceptable conditions for capital accumulation—and it is not hard to see why. The reserve army looms as a constant threat to the employed, putting a “curb on their pretensions” under relatively stable conditions. “The pressure of the unemployed compels those who are employed to furnish more labour, and therefore makes the supply of labour to a certain extent independent of the supply of workers.” Even in periods of rapid expansion, workers are drawn from the reserve army, so “the general demand for labour increases only to the extent of the excess of the employed over those ‘set free’,” thereby ensuring that wage movements are kept within an acceptable range that corresponds with, but never exceeds, the “energy and extent” of accumulation (Marx 1977, 1:782-3).

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<sup>52</sup> Whether labor markets are tight or controlled by strong labor unions, however, workers “cannot, in the long run, change the distribution of income to the detriment of profits. The system...has an internal servomechanism to defend the profit rate against labour encroachment” (Flakierski 2004, 91). Since workers depend for their livelihood on capital’s ability to achieve sustain accumulation they must ultimately acquiesce to employer demands. The only other option is to reject the existing set of production relations.

From this vantage point, it makes little sense to characterize the relation between wage laborers and capital as a “free market” since capital is able to act decisively on *both* the demand- and the supply-side of the equation (Marx 1977, 1:793).<sup>53</sup> This “totally contradicts the way in which markets are supposed to work,” and implies that labor markets hardly represent an exchange between equals, even if exchange of equivalent values prevails (Harvey 2010b, 277). Indeed, to the extent that “equilibrium” exists in a given labor market, the corresponding wage level merely represents an upper limit conditioned by the requirements of accumulation. “The great beauty of capitalist production,” says Marx with characteristic irony,

consists in this, that it not only constantly reproduces the wage-labourer as a wage-labourer, but also always produces a relative surplus population of wage-labourers in proportion to the accumulation of capital. Thus the law of supply and demand as applied to labour is kept on right lines, the oscillation of wages is confined within limits satisfactory to capitalist exploitation, and lastly, the social dependence of the worker on the capitalist, which is indispensable, is secured (Marx 1977, 1:935).

Marx’s prescient observation that the accumulation process tended (over the long-term) to result in the concentration and centralization of capital made up the final element of the general law. By “concentration” Marx meant an absolute increase of capital by individual capitalists (accumulation proper). This occurs as non-capitalist forms of

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<sup>53</sup> While we abstract from the impact of trade unions and social welfare policies at this point, it should be obvious that any such efforts will be strongly impacted by the existence of the reserve army.

production (e.g., craft work, traditional farming, etc.) are transformed along capitalist lines, thus ensuring the “social dependence of the worker on the capitalist.” Even more important today, however, and much more rapid, is centralization, which refers to the consolidation of *existing* capitals (e.g., via mergers and takeovers) “in a single hand in one place, because it has been lost by many in another place” (Marx 1977, 1:776-7). By bringing a larger mass of labor and capital together, the scale of production increases, leading to higher labor productivity, which gives a distinct advantage to larger capitals over the smaller.<sup>54</sup> Yet this progressive concentration and centralization also creates the conditions for *increasingly more* rapid movements in accumulation as the reserve army grows proportionally, thereby providing the basis for accelerated revolutions in the process of production. “It is not, therefore, the technology itself that is the main lever of accumulation, but the pool of surplus laborers to which it gives rise” (Harvey 2010b, 274; Marx 1977, 1:568-9). The suggestion here is that qualitative changes in the accumulation process brought about by centralization will result in equally impactful changes in the form of the reserve army itself.<sup>55</sup> This evolutionary aspect of the theory of the general law clearly has significant implications for the reserve army, which is likely why Marx devoted so much attention to the social form of the latter.

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<sup>54</sup> In the words of Veblen (Veblen 2011, 383-4): “The farther and faster capital accumulates, the larger will be the reserve of unemployed, both absolutely and relatively to the work to be done, and the more severe will be the pressure acting to reduce wages and lower the standard of living.”

<sup>55</sup> Some theorists have, accordingly, responded to uncritical approaches by emphasizing that Marx treated the reserve army as an “actual historical development” that could not “be understood apart from the process of capital accumulation” (Yanz and Smith 1983, 94).



### C. The Sociology of the Reserve Army

The necessary existence of an industrial reserve army of labor was actually first theorized by Engels in *The Condition of the Working Class in England* (1984). Marx's subsequent historical analysis mirrored and extended that of Engels. An intriguing result of this follow-up analysis was that Marx became progressively more skeptical of the official statistics available to construct the categories of the reserve army. These measures tended to become "more and more misleading" as the reserve army grew in size, since its growth revealed the failures of the system to workers with ever more damning clarity (Marx 1977, 1:808). Marx's careful and critical investigation into the conditions of labor in a variety of countries ultimately resulted in a method of categorization of the reserve army that has proven to be surprisingly robust. This led to the identification of four basic layers of the "relative surplus population" or "reserve army of labor": the "floating," "latent," "stagnant," and, its "lowest sediment," the pauperized (1977, 1:794).<sup>56</sup> Although the reserve army concepts were derived from existing historical conditions, Marx emphasizes their dynamic nature by linking them to the level of development of the productive forces of society. Moreover, as we briefly sketch the development and relations of these layers, it is important to bear in mind that the sociological categorization of the reserve army came *before* Marx's elaboration of the general law in the narrative—once again highlighting the central importance of the reserve army itself.

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<sup>56</sup> International Labor Organization (ILO) reports on "Global Employment Trends" use virtually identical categories (ILO 2011; Foster and McChesney 2012, 145), showing that Marx's conceptualization of the reserve army still provides a firm basis upon which to build a comprehensive picture of the labor force.

### *1. Floating Surplus Population*

The most tumultuous layer of the reserve army is the *floating* population, which comes into existence as a counterpart to the extensive application of machinery and the intensive refinement of the labor process. Here, at the center of modern industry,<sup>57</sup> the working population is in constant flux—not only because of an unceasing compulsion to reduce labor requirements, but also because the “consumption of labour-power is so rapid” that the human body can only withstand the physical torture of work for a short time before it is no longer suitable to capital. The factories, workshops, mines, etc., thus tend to seek out the freshest, most easily exploitable layers of the reserve army—particularly children, young women and “nomadic” (migrant) laborers (Marx 1977, 1:818).<sup>58</sup> Because of the chaotic and intense nature of production in modern industry, flows in and out of the floating population tend to be extremely high. As noted above, this manic relation to labor is a distinguishing feature of modern industry: its apparently insatiable appetite at one moment is matched by an equally strong repulsion the very next moment (Marx 1977, 1:575-88). Given its consistent and rapid replenishment, the floating population is closely related to the “officially unemployed” of contemporary

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<sup>57</sup> For clarification, note that Marx also uses the term “manufacture” to describe the revolutions in production associated with changes in the “organization of labor”; in contrast, the stage described above, which some have termed “machinofacture” is characterized by revolutions in the “instruments of labor.” The latter stage is marked by the complete removal of the tool “from the worker’s hand,” which is now “placed in the grip of a mechanism,” (Braverman 1998, 117; Sweezy 1981, 37) and ultimately the production of machines by machines.

<sup>58</sup> That sweatshops almost as horrific as those described by Marx still exist today (even in the U.S., see GAO 1994)—as evidenced by a recent rash of textile fires (Shah 2012; Alam 2012) and a catastrophic building collapse (AP 2013)—is unfortunate proof of the existence of a modern floating population (Esbenshade 2004; Ross 2004; Angela and Wills 2005).

statistics. Of course, this is primarily because it contains the most visible or “active” part of the reserve army—i.e., those immediately available and particularly suitable to the needs of industry.

## *2. Latent Surplus Population*

The next layer of the reserve army is the *latent* surplus population. For the most part this refers to the (self-sustaining) segments of the agricultural (or rural) population. In many countries the agricultural population<sup>59</sup> is still quite large today, and thus serves as a vast sink of potential labor (hence, “latent”). The latent population is an important source of fresh labor power for modern industry and has historically been “released” by forceful means. (Marx 1977, 1:848). As Marx pointed out, in England and Ireland a devastating sequence of events—regressive legislation, concentration of farms, land conversion, labor rationalization, and mechanization—eventually reduced the agricultural population to a mass of paupers. This massive dispossessed population had little choice but to cram into rural towns or cities, which increased the supply of labor available to manufacturers. However, even as the new agricultural and manufacturing industries began to absorb a portion of the dispossessed agricultural laborers, causing local shortages, the periodic introduction of new layers of the latent surplus population—in particular women and children (via the “gang-system”)—consistently replenished labor reserves, ensuring

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<sup>59</sup> While “subsistence population” may seem like an appropriate substitute for “agricultural population,” the former term usually connotes conditions of poverty. The irony, of course, is that it is precisely the progress of accumulation, which mercilessly devalues agricultural labor, that has contributed to this linguistic devaluation (Braverman 1998, 300-1).

stabilized wages rates (Marx 1977, 1:850).<sup>60</sup> In spite of absolute declines in population in Ireland, for example, there always remained a significantly large surplus population in rural areas.

### 3. *Stagnant Surplus Population*

The *stagnant* population forms a “refuge” from the branches of industry associated with the floating and latent populations. This layer continuously absorbs the stream of workers expelled from modern industry and agriculture, representing an “inexhaustible reservoir of disposable labour power” (Marx 1977, 1:796). In the stagnant layer employment is “extremely irregular”; and to the extent its members attain employment at all, their degree of exploitation tends to be extremely high (Marx 1977, 1:798). Central to this category for Marx was the development of “modern ‘domestic industry’,” an adjunct of modern manufacturing. In this industry, according to Marx (1977, 1:591), exploitation is “still more shameless than in modern manufacture,”

because the workers’ power of resistance declines with their dispersal; because a whole series of plundering parasites insinuate themselves between the actual employer and the worker he employs; because a domestic industry has always to compete either with the factory system, or with manufacturing in the same branch of production; because poverty robs the worker of the conditions most essential to

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<sup>60</sup> On this point it is tempting to assume, along with W. Arthur Lewis, the great economist and founder of development economics (who borrowed heavily from Marx’s reserve army analysis), that increased accumulation will eventually benefit the broader population since the “surplus, after all, is only partly consumed; the other part is used for capital formation,” i.e., reinvested in the economy (1954, 154). Like so many other economists, however, Lewis ignores the inexorable tendency toward polarization inherent to accumulation (Harvey 2010b, 286)—a tendency that is especially pronounced in “labour reserve economies” (Patnaik 2010, 45).

his labour, of space, light and ventilation; because employment becomes more and more irregular; and, finally, because in these last places of refuge for the masses made ‘redundant’ by large-scale industry and agriculture, competition for work necessarily attains its maximum.<sup>61</sup>

Labor conditions were particularly horrid in modern domestic industry because it took the stagnant surplus population as its *basis*—i.e., the conditions of the former were reflective of the conditions of the latter. In the case analyzed by Marx, a super-abundance of cheap, freshly exploitable labor—the majority of whom were women and children—actually forestalled mechanization initially, leading to the persistence of needlessly dangerous and oppressive production processes. Mechanization only commenced when efforts to cheapen the value of labor power came up against obstacles (see Chapter VIII.B.1 for further discussion). This took the form of rapid development of ever-more productive textile machines, which rendered the existing tools of workers obsolete and signaled the integration of outwork into the factory proper (Marx 1977, 1:602-4).

This description of the character of production in modern domestic industry clearly foreshadows accounts of the growth of informal or “precarious” forms of work—“‘flexible,’ part-time, fixed term, temporary or agency jobs” (Thornley, Jefferys, and Appay 2010, 2). However, Marx actually goes much further, arguing that the “conditions

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<sup>61</sup> Some of the cruelest forms of exploitation in the stagnant population were inflicted upon children in their own homes and by their own parents, who conducted outwork for large-scale textile operations (i.e., in “modern domestic industry”). The parents, so demented by their condition of existence, came to “think of nothing but getting as much as possible out of their children” (Marx 1977, 1:599, 798). In response to the notion that the parents were to blame Marx trenchantly replied that “the capitalist mode of exploitation, by sweeping away the economic foundation which corresponded to parental power, made the use of parental power into its misuse” (Marx 1977, 1:620).

of existence” of all workers become increasingly more “precarious” (1977, 1:798) because the contradictions of the reserve army are intensified by the concentration and centralization of capital. Indeed, the final category of the reserve army that Marx identified is suggestive of the general direction of the accumulation process—absent a radical alteration of its form.

#### *4. Pauperized Surplus Population*

Marx identified the “lowest sediment” of the relative surplus population with *pauperized* workers. This was because the largest portion of this layer dwelt “in the sphere of official pauperism”—the remainder being made up by “vagabonds, criminals, prostitutes, in short the actual lumpenproletariat.” The degrees of pauperism Marx identified among English workers sound disturbingly familiar today: the long-term unemployed of the most immediate crisis; poor and/or disaffected youth; and those so victimized by work experience—as a result of age, physical injury, or an incapacity to adapt—that capital no longer has any use for them (Marx 1977, 1:797-8). Despite their “relative impoverishment”<sup>63</sup> the majority of those in the pauperized layer of the reserve

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<sup>63</sup> The term used here is intended to highlight the bankruptcy of the “immiseration thesis,” which portrays Marx’s general law as crude pronouncement of the “absolute” impoverishment of the working class (Heinrich 2012, 127; Foster and McChesney 2012, 125; Fracchia 2008). (Also see Araghi 2003, 62, en3, on national differences.) In this connection it is important to note Marx’s qualified use of the term, “pauperism” (i.e., “official pauperism”), which is different from contemporary usage, which implies an inability to work and complete reliance on charity. In contrast, Marx points to a growing mass of impoverished humans: people fully capable of working, and often already producing much more than they consume, yet who cannot find enough employment, or any at all. “The great and growing evil in the United States,” H. J. Walls (1879, 22), the first commissioner of the BLS for the State of Ohio stated in 1879, “is poverty of the masses. Poverty is more than an evil, it is a crime, not that the individual poor are criminals, far from it, but poverty is the greatest crime of society against the individual, and is the progenitor of nine-tenths of the criminals in the country.”

army are able and willing to work.<sup>64</sup> Indeed, from a reserve army perspective, the actual extent of “unemployment” only begins to become apparent after the fact, so to speak, “in times of great prosperity,” when the floating population is fully absorbed, and when large sections of the stagnant and pauperized populations are “enrolled in the army of active workers” (Marx 1977, 1:797; Engels 1984, 117-8). At that point, it was possible to see how truly elastic the labor supply was. Still, at this point the full extent of the reserve army may *still* not be apparent if a significant latent surplus population exists—a situation that most certainly still obtains in many countries, such as India and China (Patnaik 2007; Amin 2003).

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<sup>64</sup> This type of explanation is, of course, entirely alien to the modern-day economist, who would be quick to label the majority of these layers of the population as “unemployable” or “voluntarily unemployed.” Yet Marx is only making explicit a connection that has been supported by sociological work on the labor process (Zimbalist 1979; Navarro 1982), and psychological work on unemployment (Oreopoulos, Page, and Stevens 2008; Per-Anders and Gustavsson 2008; Sullivan and Wachter 2009). In short, the degree of estrangement of the working population from “gainful” employment is proportional to the degree of torment of past work and/or unemployment experience (for an elaboration of this point, see Fracchia 2008).

## CHAPTER VIII

### THE RESERVE ARMY AND THE ANOMALIES OF UNEMPLOYMENT

Given the persistence of the reserve army, it should be clear that focusing on the economic categories of “employment” or “unemployment,” as they are constructed by mainstream economics, is entirely unhelpful. As Schervish (1978) recognized, the reserve army concept considerably deepens both categories by revealing the dialectical connection between the structure of unemployment and the structure of employment. Moreover, as part of the general law, the dynamic development of the reserve army (as reflected by its changing sociological composition) represents an intractable contradiction for the accumulation process. Thus, in Marx’s most concise statement of the general law, we find that the sustained production of wealth under capitalist social relations comes at a very high price:

The greater the social wealth, the functioning capital, the extent and energy of its growth, and therefore also the greater the absolute mass of the proletariat and the productivity of its labour, the greater is the industrial reserve army.... The relative mass of the industrial reserve army thus increases with the potential energy of wealth. But the greater this reserve army in proportion to the active labour-army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to the amount of torture it has to undergo in the form of labour. The more extensive, finally, the pauperized sections of the working class and the



industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.* (1977, 1:798)

This dim prognosis of the general law arises in part from the conclusion that the historical limitations of the system prevents any thorough, rational response to the reserve army (Marx 1991, 3:368); and in the current historical context Marx's skepticism seems hardly to have been misplaced. However, to grasp the subtlety of Marx's approach one must be careful to avoid common misinterpretations (or distortions) of the general law. Marx is synthesizing numerous strands of the argument at this point in *Capital*, and thus appropriately concludes the latter paragraph with a familiar caution: "Like all other laws it is modified in its working by many circumstances, the analysis of which does not concern us here." Marx does indeed make important qualifications to the general law; and it should come as no surprise that qualitative changes in the historical environment turn out to be of particular importance, especially with regard to unemployment and the reserve army.

By isolating the core contradictions of capitalist accumulation Marx is not suggesting an *end* to the analysis (or the "automatic" demise of the system): rather, the point is to provide a firm basis upon which to assess *subsequent* developments.<sup>65</sup> The very survival of the system suggests that "counteracting influences must be at work, checking and

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<sup>65</sup> As Sweezy pointed out long ago, Marx 1) uses the term "absolute" in its Hegelian sense of "abstract"; and 2) is working at a high level of abstraction in the first volume of *Capital*, so certain conclusions undergo considerable modification at lower levels of abstraction "when the analysis is brought to a more concrete level" (1942, 18-19). "All of Marx's statements which appear to be making universal claims," Fracchia (1991, 165) adds, "are actually conscious abstractions. As guides for the historical-materialist scientist they are useful abstractions; but, prior to being given content and corrected by the results of concrete historical-empirical analysis, they are simply abstractions, and certainly not statements of universal truth."

cancelling” predicted tendencies and, in some cases giving rise to new sets of contradictions (Marx 1991, 3:339; Mészáros 1995, 560; Becker 1977). These insights suggest that the three anomalies of unemployment are closely tied to the unfolding contradictions of accumulation typified by the growth and persistence of the reserve army. Indeed, where, from the standpoint of mainstream economics, persistent unemployment, jobless recoveries, and worker precariousness manifest as stubborn anomalies, the very same phenomena appear as straightforward expectations when viewed within the classical sociological paradigm.

### **A. The Inevitability of Unemployment**

In the classical reserve army perspective the first anomaly, persistent unemployment, is understood as a necessary part of capital accumulation; it exists at all times—save exceptionally rapid bursts in economic activity.<sup>66</sup> In the U.S., this has been evident from the moment the BLS began compiling labor statistics to present (Du Boff 1977a). In the BLS’s first annual report (for the state of Ohio)—a report, incidentally, that was of considerable interest to Marx<sup>67</sup>—then commissioner H. J. Walls explained that

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<sup>66</sup> “If the quantity of unpaid labour supplied by the working class and accumulated by the capitalist class increases so rapidly that its transformation into capital requires an extraordinary addition of paid labour, then wages rise and, all other circumstances remaining equal, the unpaid labour diminishes in proportion” (Marx 1977, 1:771, emphasis added). Even exceptionally rapid bursts in activity may not substantially reduce unemployment in underdeveloped countries as we explain below.

<sup>67</sup> In reworking the materials for volume 2 and volume 3 of *Capital*, Marx transcribed numerous long sections of this report—and it is no mystery why upon inspection. In his testimony Walls reminded legislators that the “Bureau” owed “its existence to...the labor reform movement,” explaining why he had no qualms forthrightly advocating on behalf of workers. The report contains copious references to critical political economists, an exceptionally detailed history of labor (from the dissolution of serfdom through the

unemployment was the central cause of the starkly unequal distribution of wealth that had accrued over a decade of prosperity (1863–1873). During this period, wealth, measured by the change in the total value of personal property, grew by 87 percent. However, “this vast increase in wealth and wealth producing power,”

[even] with the small relative increase in population, did not prevent our industries from becoming paralyzed, and workingmen by the hundreds and thousands denied the right to earn bread for themselves and families.

The wealth and wealth-producing power remain intact, the brains and muscle are eager for employment, and nothing prevents a new era of prosperity but the poverty of the masses. Their wants are unsupplied, and their inability to supply them is keeping the work-shops of the State closed, or nearly so. They must have work and wages before their wants can be supplied, but they can not, under existing conditions, commence production and increase consumption except at the will of others, who possess the wealth and machinery for production.

The system under which labor receives its reward—the wages system—is the main cause of labor’s poverty. (Walls 1878, 528)

In the nascent industrial powerhouse of Ohio, it was clear that the “surplus of laborers” belonged primarily to the floating layer of the reserve army, as they had been cast out of the “industrial centers of the State.” In the majority of a letter accompanying a survey circulated to the agricultural population, commissioner Walls implored these

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consolidation of the wage system), and an impressive historical-comparative argument (based on English labor history) for greatly strengthening and expanding unions in the U.S. (1878, 526, *passim*; Marx and Engels 2011, IV:95-122).

redundant laborers to stay in Ohio, instead of moving out west “to take up government or other unimproved lands” (Walls 1878, 828). The history behind the commissioner’s concern is of course that vast “uninhabited” lands became available after the extermination of the majority of the indigenous population of America. This abundance of cheap land meant that workers could effectively escape the active layer of the reserve army by making a living off of agricultural land. The problem, of course, is that this could easily cause significant labor shortages at the resumption of accumulation. As Marx pointed out, where “the separation of the worker from the conditions of labour and from the soil” does not yet exist (or is too limited) “the labour-market is always understocked. The law of the supply and demand of labour collapses completely” (1977, 1:935-6). When, in such a case, “adverse circumstances prevent the creation of an industrial reserve army,” capitalists try to “make up for its inadequacies by forcible means” (1977, 1:794). Luckily for the U.S., a continuous wave of immigrants ensured the existence of a significantly large reserve army. According to Marx this substantial reserve army, coupled with profligate land giveaways to business (which raised its price to workers and prevented them from leaving the labor market),<sup>68</sup> is what allowed the U.S. to achieve “a very rapid centralization of capital” (1977, 1:940).

## **B. A New Era of Accumulation: Monopoly and the Jobless Recovery**

Given that jobless recoveries are of relatively recent origin, they evidently represent a significant challenge to the classical reserve army perspective. After all, who would deny that 21<sup>st</sup> century capitalism bears little direct resemblance to the system confronted by

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<sup>68</sup> “An artificial high price upon colonial land” serves to “prevent the too quick conversion of the wages labourer into the independent peasant” (Marx 1976, 59, book 2).

Marx toward the end of the late 19th century? In *Capital* Marx based his model of the economy on classical (or “price-based”) competition—the omnipresent force that subordinates “every individual capitalist to the immanent laws of capitalist production, as external and coercive laws” (1977, 1:739). To the extent that concentration and centralization limit or distort the dynamics of competition, these laws clearly must undergo significant alteration—and this has indeed been the case. Consequently, a fuller understanding of the phenomenon of economic “maturity and stagnation” (Steindl 1976) is key to unraveling the anomaly of the jobless recovery.

Even so, Marx still managed to anticipate the broad outlines of the historical transformation of the system with impressive clarity.<sup>69</sup> This is evidenced by the extent to which the theory of economic stagnation is grounded within Marx’s general law and the contradictions posed by the reserve army.<sup>70</sup> Indeed, it would be no exaggeration to say

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<sup>69</sup> Recent scholarship has shown that Marx was fully aware that capitalism was in the midst of profound transformation near the time of his death in the late 1800s—the dawn of monopoly capitalism—and intended to make significant changes to newer editions of the first volume of *Capital* (Heinrich 2013, 30). Indeed, a close reading of volumes 2 and 3 of *Capital* shows that Marx intended to modify the general law of accumulation in important ways as he successively integrated new phenomenon, such as interest, credit, economic crisis, the state, etc., into the analysis (Heinrich 2012). A continuous struggle to identify the system’s “innermost causal determinations” (Mészáros 1995, 108) certainly epitomized Marx’s approach, but he “persistently followed his methodological rules despite the difficult restrictions...[they] imposed on the scope of his analysis” (Araghi 2003, 42). Thus, while Marx refrained from making specific historical predictions his analysis was influenced at every step by changing historical conditions, and this explains why the general law theoretically anticipates important tendencies associated specifically with the new constellation of forces consolidated under the regime of monopoly.

<sup>70</sup> Moreover, it is highly likely that Marx would have addressed the problem of stagnation specifically, as indicated by the following passage from his unfinished manuscript on “Wages”: “If the growth of productive capital progresses only slowly, if it remains stationary or even decreases, the number of workers is always too large in proportion to the demand for labour” (1975, 6:433).

that the general law contains the germ of the theory of stagnation (Steindl 1976, 246). By allowing actual historical events to account for the varying strength and direction of the tendencies Marx identified, it is possible to make visible the shoots and branches connecting the classical and monopoly capital perspectives (sections 1 and 2). In so doing, we shall provide a solution to the second anomaly of unemployment (section 3).

### *1. Concentration, Centralization and Contradiction*

According to Marx, concentration and centralization of capital was the most important long-term tendency of the accumulation process and had serious implications for the reserve army. Even the fruits of victories by organized workers (e.g., a reduction of the working day) are transformed into spoils because they stimulate “the general conversion of numerous isolated small industries into a few combined industries” and thereby accelerate “the concentration of capital and the exclusive predominance of the factory system.” The precarious sectors that form mere appendages of the factory, such as, for example, “modern domestic industry,” are eventually subsumed—destroying also the “last resorts of the ‘redundant population,’ thereby removing what was previously a safety-valve for the whole social mechanism.”<sup>71</sup> Each wave of accumulation, “by maturing the material conditions and the social combination of the process of production, [also] matures the contradictions and antagonisms of the capitalist form of that process” (Marx 1977, 1:635).

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<sup>71</sup> This of course does not mean the disappearance of the reserve army; it refers instead to an increase in the degree of precariousness within the reserve army, and especially within its stagnant layer.

As the passage above suggests, Marx understood concentration as a finite period of historical development, associated specifically with the subsumption of non-capitalist or small-scale industry. Most importantly, this means that under conditions of concentration a fundamental requirement of capital, growth, is satisfied to a significant extent, allowing accumulation to continue relatively unimpeded—*quite apart* from its disastrous impact on that part of the population continually thrown into the reserve army. An explanation of this divergence—which is not simply possible but *necessary*—helps to explain the historic importance of concentration.

Due to the antagonistic character of the accumulation process—dominated as it is by the drive of capital to increase the rate of exploitation—the income of workers, or their consuming power, is always held to a minimum; obversely, the surplus appropriated by capitalists, or their power to accumulate,<sup>72</sup> is maximized. Of course, “the great masses of people in practically every field of activity who continue to be ruthlessly ejected from the labour process and dismissed as ‘redundant’ by the imperatives of profitable capital-expansion are very far indeed from being superfluous as *consumers* required for securing the continuity of capital’s self-valorization and enlarged reproduction” (Mészáros 1995, 233). This highlights the contradiction between production and realization: there is no

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<sup>72</sup> Technically, this would also include the personal consumption of capitalists but the latter become an increasingly tinier proportion of the entire population at the same time that the mass of surplus they appropriate grows significantly. Accordingly we adopt the simplifying assumption here that this magnitude is negligible at the level of the economy as a whole.

guarantee that what is produced will be sold because the sale of commodities is ultimately determined by an independent (and often unpredictable) set of factors.<sup>73</sup>

Indeed, if the extent to which the surplus could be *realized*—i.e., converted from its form as a commodity into its money form—were determined entirely by the consuming power of workers then, *ceterus paribus*, accumulation would not simply be constrained, it would be impossible.<sup>74</sup> Capital *must* grow since growth is the only way it can resolve this reproductive contradiction. Concentration resolves (temporarily) the contradictory basis upon which the “capitalist form” of production is erected by extending the field of operation of capital, which provides an essential impetus for continued accumulation, or reinvestment of the surplus (or profits).

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<sup>73</sup> In Marx’s words: “The conditions for immediate exploitation and for the realization of that exploitation are not identical. Not only are they separate in time and space, they are also separate in theory” (1991, 3:352).

<sup>74</sup> For analytical purposes production is divided into two broad sectors or “departments”: consumer goods (necessary commodities) and investment goods (capital). In *Value, Price and Profit*, Marx implicitly uses a three-department scheme, with “luxury goods” (non-necessities) making up a third department (Marx 1981; Marx 1976, 13, book 2). These concepts, as well as that of “maturity,” were rooted in the reproduction schemes Marx used to investigate the circulation of capital (1981, 2:136). For our purposes, the main point is that for capitalism to grow rapidly the investment-goods department must expand both absolutely and relatively to the consumer-goods department—and indeed the monopoly-capitalist system generates a growing investment-seeking surplus. But actual investment is dependent on expected profits on future production. Hence, the social disproportionality between the two departments, arising from the tendency for surplus to rise (the inverse of which is the tendency of the wages of productive workers to decline), is a major contributing factor in the emergence of saturated markets and vanishing investment opportunities. Kalecki summed this up in his pithy phrase: “the tragedy of investment is that it causes crisis because it is useful” (1939, 149).



Marx went on to suggest that the process of concentration could not go on indefinitely within a given country because the economic system would eventually “mature”<sup>75</sup> as modern systems of production predominated and small-scale industry was relegated to the margins. It follows that in mature economies capital must find some new basis to support continued accumulation. As noted above, Marx argued that centralization would tend to rise in prominence at this point, stimulating the development of credit and the stock market institutions that would in turn contribute to an exponential increase in the forces of centralization.<sup>76</sup> In a classically competitive context the primary means of competition between large firms is simply greater production, which accelerates the accumulation of capital goods and further develops the capacity to build yet newer and more sophisticated means of production (Marx 1977, 1:739). In this situation there is an increasing likelihood of generalized overproduction or overaccumulation of capital. Far from stabilizing the accumulation process, this implies that centralization tendencies will tend quickly to spiral out of control as increases in output lead to bitter competition at great expense to producers. While Marx did not take the classical reserve army analysis too far beyond this moment of contradiction, the inherently chaotic nature of these

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<sup>75</sup> Marx used the term “mature” in a somewhat different sense than Steindl (1976, 132), and the concept underwent an important modification by the time it was eventually used by Baran and Sweezy (see Sweezy 1981, 37-9). Marx was focused on the tendency of maturity to deepen the contradictions of capitalist economies, and weaken their dynamism. However, as we explain, the key tendency Marx associated with maturity—concentration (or monopolization)—itself came to affect the essential dynamics of the system. From this standpoint, it is quite appropriate to identify the growth of monopoly as a qualitatively new stage of capitalism.

<sup>76</sup> In reality the two processes occur unevenly across economies as a result of the dominance of advanced, monopolistic economies of the core capitalist countries (roughly the G8) over nearly all other countries. (see Chapter VIII.C.2 for further discussion).

processes comes into sharp relief against the backdrop of subsequent historical developments.

## *2. Rise of the Monopolistic Firm*

Indeed, one could have witnessed such events unfolding in the United States circa 1890, when gluts led to bitter price wars and deep economic crises. As one prominent business historian relays, the new mass production industries “depended on high-volume, relatively steady levels of operating to achieve their low cost per unit of output. This made them inclined to keep the production lines rolling, which in turn contributed to the persistent decline in prices that marked the latter half of the nineteenth century and heightened business concerns about what many saw as excessive competition” (Porter 2006, 13). The trend toward monopolization, moreover, “was accentuated by the crisis of over-production which was...the immediate cause of the ‘great depression’ [as it was called in Europe at the time] between 1873 and 1895” (Barraclough 1964, 44). Mounting crisis reached its crescendo in the great merger waves of the late 19th and early 20th century (see Du Boff 1989). Early 20<sup>th</sup> century commentators recognized that capitalism had entered an entirely new stage of development (Hobsbawm 1994, 103-4), symbolized by the emergence of the modern corporation as the dominant form of business organization, but most were blind to the full significance of the transformation.<sup>77</sup>

A prescient theorist in this respect was Thorstein Veblen, who was a vociferous critic of the economic orthodoxy that grew along with the giant corporation. Veblen (1923, 79)

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<sup>77</sup> For theorists who adhered to a classical interpretation of the general law, the pivotal importance of this historical moment was obvious, and this is evidenced by the emergence and continuous development of MC theory (Lenin 1984; Hilferding 1981; H. Magdoff and Sweezy 2009).

argued that three main factors contributed to the decline of the “old-fashioned competitive system”: a) the existence of “excessively productive” industrial capacity b) an end to “territorial expansion” in search of new markets and c) the proliferation of credit and security markets. “The result is not that competition ceases or declines” when “collusive or corporate combination” becomes the norm, Veblen (1923, 128) further explained, “but only that it takes a new turn, commonly with an increased vigor and persistence.” The key difference was that “ruinous price competition” was effectively banned and replaced by “price maintenance” as the change in the size distribution of firms enabled the dominant corporations to enforce beneficial pricing arrangements through a process of “learning” or disciplining (Lamoreaux 1988, 134-8; also see Veblen 1923, 96).<sup>78</sup> The giant corporation has unparalleled control over its environment so it does not haphazardly overproduce as if it were operating in a blindly competitive way.

Veblen knew very well what this change in the nature of competition meant for workers: “Instead of competing against one another, to their own mutual defeat, the absentee owners now turn their undivided competitive efforts against the consumers” (1923, 128). “The industrial plant,” Veblen pointed out,

is increasingly running idle or half idle, running increasingly short of its productive capacity.... because it is considered doubtful whether so large a supply

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<sup>78</sup> This was just one of many significant changes in the behavior—hence use of the term “monopoly capitalism” instead of “competitive capitalism” to delineate a new stage of capitalist development. In this connection it is important to note that stability was sought in size not simply (or even primarily) for its economic advantages, but: 1) for its political advantages vis-à-vis the state; and 2) increased power over the labor process. See, respectively, Kolko (1963, 3) on the development of “political capitalism” and Braverman (1998) on the connection between the labor process and monopoly.

could be sold at prices that would yield a reasonable profit on the investment....; that is to say, it is considered doubtful whether an increased production, such as to employ more workmen and supply the goods needed by the community, would result in an increased net aggregate income for the vested interests which control these industries. A reasonable profit always means, in effect, the largest obtainable profit. (Veblen 1954, 12-13)

For Veblen, this “deliberate and habitual” expedient of big business amounted to the institutionalization of “persistent unemployment.” (Veblen 1954, 114). Indeed, after the postwar boom capacity utilization has on the whole declined, averaging 78.6 percent since 1972,<sup>79</sup> so, from this standpoint, it should not be surprising that unemployment has tended also to rise.

### *3. Stagnation and the Normalization of Joblessness*

The fact that a massive increase in productive potential tends to create more unemployment instead of increasing leisure and material well-being is a reflection of the antagonistic character of capitalist production. The historical pattern outlined above by Veblen points to a deepening of this antagonism. Indeed, the appearance of jobless recoveries is connected with the growing power of capital at the point of production, and this is reflected in the ability of firms to externalize the costs of reduced output—i.e., reduced productive capacity—onto workers.<sup>80</sup> It was Braverman (1998), of course, who

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<sup>79</sup> “Capacity Utilization: Total Industry (TCU),” Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis (retrieved April 9, 2013).

<sup>80</sup> The technical explanation for why a reduction of capacity was most profitable at the level of the firm was worked out by Baran and Sweezy (1966, 82-8). Briefly stated, the issue revolves around the relationship between profit rates and output (the profitability

provided an analysis of the nature of this power by analyzing the transformation of the labor process under monopoly capitalism. Braverman was not only concerned with the implications of scientific management in workplaces, but for the system of monopoly capitalism as a whole. The implications were many, but the main point for our purposes is that the *polarization* of skill (Braverman 1998, 294) manifests in the long term as an erosion in the power of workers over their jobs.

To understand the dynamics associated specifically with recessions and recoveries requires that we return to the argument presented above with respect to monopoly and stagnation (Chapter III.C.2). There we pointed out that the economy must grow to create jobs. Much like the case of reduced production capacity, neither the blame nor the penalty for weak growth is borne by capitalists. The state takes the blame and it is always the unemployed who suffer the effects. Moreover, firms across the economy capitalize on their power during downturns by restructuring their production process and in the context of slow growth this leads to a permanent loss of jobs—this includes practices as diverse as intensifying the labor process (speed-ups), replacing full time workers with temps, introducing machinery, lowering wages, and offshore outsourcing. (We return to some of these dynamics below in our resolution of worker precariousness). Thus, as a rule, profit margins soar as a recovery commences, and workers are only reemployed en masse when capitalists act on expectations of future profits, thereby expanding output.

Although we have technically resolved the anomaly of the jobless recovery, leaving the matter here falls short of addressing the deeper forces involved in reproducing this

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schedule), on the one hand, and the level of investment on the other. It must be stressed that the monopolistic conditions of the economy make up the all important context within which movements in the profitability schedule take place.

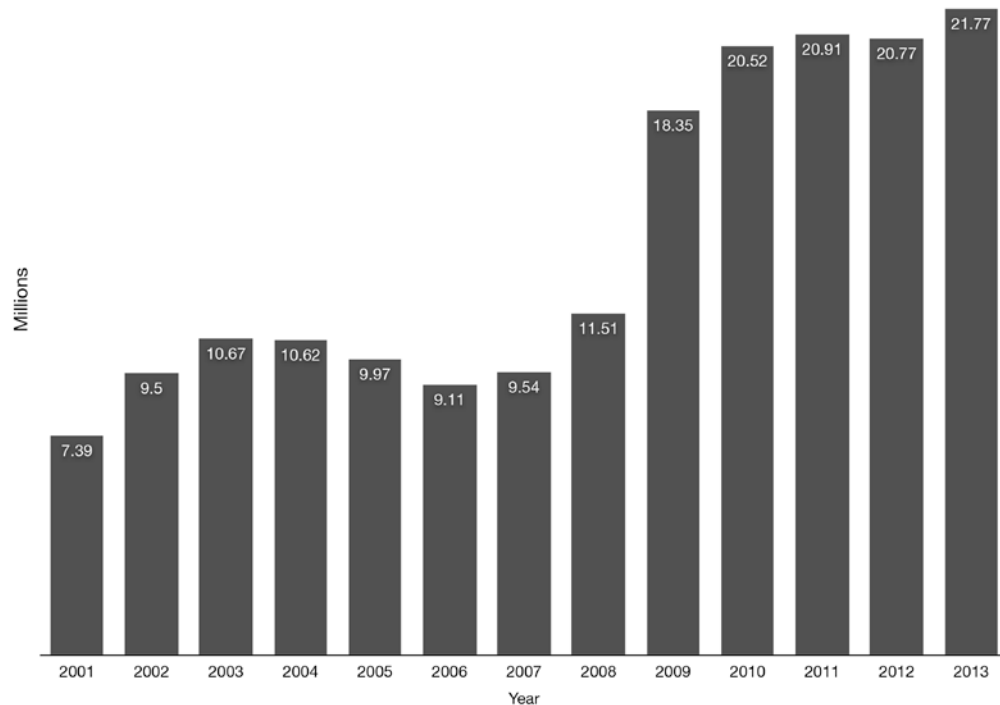
very anomaly. Indeed, beneath the surface of the ‘jobless recovery’ is the problem of *chronic* joblessness, meaning in this context the accumulation of unemployed left behind after repeated jobless recoveries. Part of this story is told in Chart IV-2 (above), where it could be seen that the economy has failed *increasingly* to produce jobs over the last several recessions. Typically these individuals, the long-term unemployed, drop out of the labor force and so are not counted. Since 2000 the labor force participation rate has in fact continued to decline. To get a sense of the massive number of “missing jobs” in the economy, Chart VIII-1 shows how many jobs would have to be created for the economy to reach the labor force participation rate of 2000 for each year to present. So far, 2013 is the worst of the last 13 years, with close to 22 million “missing jobs.”

The foregoing discussion leads inevitably to the perverse conclusion that capital in its monopoly stage is able to maintain profits and increase its share of income even as the utilization of productive resources declines. The level of output (hence growth) must increase substantially for the capitalist economy to produce enough jobs actually to reduce unemployment; but the conditions needed to realize such growth tend to erode as the economy matures. This means that the “investment-seeking surplus” will tend to expand at the same time that profitable investment opportunities are on the decline.

“Since surplus that cannot be absorbed will not be produced, it follows that the *normal* state of the monopoly capitalist economy is stagnation” (Baran and Sweezy 1966, 108). If the center of gravity of the economic system is stagnation, meaning that growth is chronically slow and recoveries typically weak, this indicates that the recovery reaches its peak and begins to decline well before the economy has reabsorbed the jobs lost in the

previous slump, leading to enlargement of the reserve army well beyond the size associated with the competitive stage.

**Chart VIII-1. Missing Jobs (millions)**



**Notes:** The formula for calculating the number of missing jobs is:  $CNP * 2000 \text{ Peak} - \text{Employment Level}$ . Where ‘2000 Peak’ is the labor force participation rate for the year 2000 (67.1 percent). See Magdoff and Magdoff (2004) who are credited with the design of this chart.

**Sources:** “(Unadj) Population Level” (LNU00000000), “(Unadj) Employment Level” (LNU02000000) and “(Unadj) Labor Force Participation Rate” (LNU01300000). Bureau of Labor Statistics, <http://data.bls.gov>.

Needless to say, this situation strongly exposes the vacuousness of claims purporting to demonstrate that capitalist production naturally produces social harmony and “universal beneficence” (Hunt 2002, 396)—even when such claims are constructed upon the most gratuitously abstract foundations of marginalist economics (Clarke 1991). The behavior of the giant corporation is guided solely by the preservation of its own

monopoly interests, and every increase in monopoly power tends to support “a further rise in the expenditures in pursuit of monopoly power” (M. J. Gordon 1998, 324).<sup>81</sup> This evidently has important ramifications for the structure of production itself, not least the social and political context within which battles over the labor processes underlying production play themselves out. The fact that workers have come to endure what can only be described as criminal levels of unemployment with shockingly little resistance (relative to the not so distant past) is surely evidence of the increased social power afforded by monopoly capital. Indeed, resolution of the final anomaly of unemployment demonstrates that the accumulation of economic power is inseparable from concentration of social and political power and, by extension, the extent and degree of the process of precariousness.

### **C. Precariousness and the Disposable Reserve Army of Labor**

As noted above, most commentators link the rise of worker precariousness with the erosion of labor’s position (especially the decline of union membership) that coincided with the crash of the post-World War II boom (circa 1970). There can be little disagreement with this general proposition but the investigators rarely delve any deeper, making the crises of the 1970s their starting point, and taking a relatively stable employment environment as given. A monopoly capital-reserve army perspective presents a very different picture: The 1970s represented “a return to ‘normality’” and the preceding period stands out as a significant exception. Indeed the relative *decrease* in

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<sup>81</sup> As Stiglitz (2012, 35) recently pointed out, “some of the most important innovations in business in the last three decades have centered not on making the economy more efficient but on how better to ensure monopoly power or how better to circumvent government regulations intended to align social returns and private rewards.”



precariousness in advanced capitalist nations—which, incidentally, was not as substantial as is typically presumed (Foster 1988)—is what actually represented an anomaly.<sup>82</sup>

In the context of the discussion of stagnation above, our inversion of the narrative about precariousness should be clear. Of course, this view of precariousness is implicit in Marx's sociological categorization of the reserve army as well. Marx used the term precariousness specifically to describe the position of workers in the stagnant layer of the industrial reserve army. Precariousness in this sense points to the link between the layers of the reserve army and the character of employment. While it is widely accepted nowadays that one need not be unemployed to experience precariousness—given the levels of underemployment, subemployment, temporary and contingent employment—rarely is the connection between precariousness and the reserve army (in all its political-economic contradictions) made explicit.

Given the dynamic character of the reserve army, it should come as no surprise that a deep historical understanding of the capital accumulation process is necessary to grasp Marx's view of precariousness fully. This makes it possible to account for important new phenomenon connected with the rise of worker precariousness—most prominently, the

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<sup>82</sup> Labor organizing during the Great Depression resulted in an unparalleled growth of unions, and the size of the reserve army decreased substantially as a result of the wartime buildup. The relatively long period of growth following World War II was essential since it helped to hold down the size of the reserve army, thereby allowing workers to generate sustained pressure in opposition to precarious work arrangements. However, the force of stagnation had begun to eat away at the façade years before the breakdown in accumulation during the 1970s. Moreover, the counterattack by big business interests was swift and sustained, beginning as far back as the late 1930s. The first blow against labor came when the elimination of the most radical elements of the labor movement was accepted as a condition of the passage of unionization legislation (Milton 1982), and declined rapidly after productivity gains were decoupled from wage increases (Linder 1994; Block 1990).

emergence of multinational corporations (or ‘multinationals’ for short), global labor markets and technical innovations—in a much more rigorous manner. Thus we begin by revisiting Marx’s investigation of “modern domestic industry” and the hegemonic relationship that developed between Ireland and England in order to lay the groundwork for assessing the dynamics and contradictions of high-tech globalized production structured by international oligopolies.

### *1. Precariousness and the Stagnant Surplus Population*

In the case of nineteenth-century Britain’s modern domestic industry, the most vulnerable layers of the reserve army were recruited from the stagnant population. Appalling conditions for workers in modern domestic industry proliferated because factories structured their “outside departments” in such a way as to take full advantage of the stagnant surplus population—those workers defined, in Marx’s terms, by their precarious situation in between the (formally) employed and the pauperized population. Facilitated in part by low overhead costs, capitalists in modern domestic industry routinely closed operations to accommodate the irregular bursts of production dictated by the factories. Such brazen action clearly hinged on the power to exploit the precariousness of massive labor reserves. Owners maintained such power by fully controlling the supply of raw materials required by outworkers, which made the crippling effect of repeated expulsions complete and ensured the continued existence of a substantial reserve army. “During one part of the year,” Marx reported, the capitalist “decimates this force by the most inhuman toil, during the other part he lets it starve for lack of work” (1977, 1:608).

The tendency toward precariousness was further deepened in Marx's analysis of the subordination of Ireland to England, which, foreshadowing later work on unequal development (see Emmanuel 1972; Amin 1976), emphasized country-specific nuances in the composition of the latent, stagnant and pauperized surplus populations. "Ireland," Marx explained, "is at present merely an agricultural district of England which happens to be separated by a wide stretch of water from the country for which it provides corn, wool, cattle and industrial and military recruits" (1977, 1:860). The revolution in agricultural methods proceeded with greater intensity in Ireland, not simply to offset rapid declines in the agricultural population (due to famines and emigration), but also to solidify Ireland's subordinate position to England as a consistent source of raw material and disposable labor power (1977, 1:866-8). Marx clearly drew the conclusion that accumulation did not inexorably proceed in a progressive sequence because stronger countries had an interest in holding back the industrial development of weaker countries (see Stavrianos 1981 for an intricate study of this process). As a result, "a new and international division of labour springs up, one suited to the requirements of the main industrial countries, and it converts one part of the globe into a chiefly agricultural field of production for supplying the other part, which remains a pre-eminently industrial field" (1977, 1:579-80). Thus, underdeveloped countries are condemned by large labor surpluses that tend to stunt social and economic development by keeping wages crushingly low (Lewis 1954; Baran 1957; Patnaik 2007).

Marx (2008) gained many of the above insights because, as a resident of the British Empire, he was a keen observer of the system of colonial relations that developed during the era of industrial capitalism (Anderson 2010). Moreover, he integrated much of this

analysis into his sociological categorization of the reserve army. This is why the nature and development of highly unequal ties between mature and underdeveloped economies figure prominently in the classical reserve army perspective. Indeed, it is near impossible to imagine an assessment of precariousness that ignores the calcification of colonial relations given its devastating long-term effects—in mature and underdeveloped countries alike.<sup>84</sup>

Of course, as in the case of the jobless recovery, the monopoly stage of capitalism has brought with it important new tendencies that require explanation. Consequently, we draw on work inspired by the classical reserve army tradition to frame our subsequent examination of the appearance of the global reserve army of labor and its relation to precariousness.

## *2. Internationalization and the Divide and Rule of Labor*

In light of the productive power that accumulated during the war years in the U.S.—far above what was required to sustain workers on an inherently antagonistic basis—the rapid growth and institutionalization of the world market was a logical outcome (McIntyre 2011). An insightful early critic of the multinational corporation, Stephen Hymer, had discerned “the outlines of a new international system,” as well as “its cracks” by 1972. In line with Marx, Hymer understood that “the emergence of a unified world commodity market” meant “the emergence of a unified world labor market.” The

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<sup>84</sup> “In almost all colonial and semicolonial countries,” Bagchi (2009, 87) reports, “the vast share of capital resources was pre-empted by the ruling imperial power through various forms of tributary mechanisms and remitted to the metropolitan centre. In the colonies themselves, the imperial rulers had privileged access to land and credit, often directly subsidized by the state, as well as, in many instances, labour.”

tendency toward concentration and centralization of capital effectively moved “from the national to the international plane,” forcing national-based firms to respond to competitive threats by expanding further, thereby accelerating the transformation into multinational corporations and eventually reestablishing oligopolies at the international level (Hymer 1979, 263-4 and Chapter 8).

One of Hymer’s most impressive achievements was critically developing the “twofold character” of the hierarchical organization of multinational corporations, which resembled a pyramid. “At the bottom of this vertical hierarchy, labor is divided into many nationalities. As one proceeds up the pyramid, nationality becomes more homogeneous and increasingly north European.” In mainstream economic theory only the technical side of the corporate hierarchy is visible—hence the continual fascination with new machines, “management revolutions,” and cheaper and ever more abundant, yet largely disposable, commodities. The side hidden from view is conditioned by the struggle with labor: here the “principle of divide and rule” is operative (Hymer 1979, 86-7). A strategy of divide and rule is evident across several dimensions of firm organization. Most important in the present discussion is the tendency of multinationals to divide their labor force across countries to exploit low wages and increase their bargaining power over organized workers. Referred to in the business press as “global labor arbitrage” (Hansen 2005), empirical work has shown that divide and rule has actually been an important factor stimulating the internationalization of production (Peoples and Sugden 2000; Cowling and Sugden 1987, 62-76; Fröbel, Heinrichs, and Kreye 1980). “As capital leaves one group of workers for another,” Hymer (1979, 88) explained, “in a process resembling

slash and burn agriculture, the advanced group is forced to lie fallow in unemployment for use later when their resistance has been weakened.”

The significance of the divide and rule of labor undermines completely the assumption that the core capitalist nations form an analytically distinct domain for assessment of precariousness. By restricting attention to the most powerful countries investigators are blind to the fact that the entire monopoly capitalist period has been marked by an acceleration of the long-term trend toward internationalization of hegemonic production relations vis-à-vis underdeveloped or “Third World” nations (Stavrianos 1981, 41-3).<sup>85</sup> More importantly still, this leads to confusion about its root causes, especially among workers.

### *3. Contemporary Dynamics of Worker Precariousness*

In light of the preceding analysis, it is not surprising that workers in underdeveloped countries are especially vulnerable, and continue to remain so (see Bagchi 2005). The relationship between the “metropolitan center” and the underdeveloped periphery has hinged decisively on the forcible creation or absorption of labor reserves. Early in Europe’s industrial development, for example, its colonial possessions were used as “a

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<sup>85</sup> “Third World status,” Stavrianos explains, “involves more than simple poverty.... [Its] second distinguishing feature...[is] economic growth without economic development—growth determined by foreign capital and foreign markets rather than by local needs.” This “resulted in monoculture economies...that were inherently incapable of overall integrated economic development,” and thus “doomed Third World countries to the dependency and appallingly high unemployment that characterizes them to the present day” (Stavrianos 1981, 39-40). The term “underdevelopment” thus refers to a conscious process carried out by dominant capitalist countries deploying a variety of control strategies centered on labor and anchored by oligopolistic dominance in key sectors. Hence Bagchi’s description of the process as “export-led exploitation” (Bagchi 1982, Chapter 5).

dynamic safety valve” to absorb an enormous redundant population thrown off by rapid mechanization and the ruin of industries subjected to intense international competition (M. Davis 2007, 183). Between 1820 and 1950 over 16 million British citizens emigrated, amounting to a 50 percent reduction of the annual population gain every year. In total, 50 million Europeans emigrated to the colonies, mostly of the ‘new world,’ over this period (Foster and McChesney 2012, 148).

To accommodate the evolving requirements of new and increasingly insidious accumulation patterns, the initial phase of subordinate economies has been followed by the gradual implementation of a system of informal control. Only very strong states—who have enough power to intervene into their own economies or enough wealth to sever dependence on international lending institutions (e.g., China)—are able to resist this onslaught. For example, agribusiness giants, backed by global trade institutions (e.g., the World Bank) and their own national governments, have been able to accelerate the movement of humans from the latent to stagnant layer of the reserve army. This routinely involves attacks on social welfare systems, elimination of local subsidies, targeted market deregulation, dumping of food aid and, in some cases, outright control of the entire food system of a nation. As agricultural lands are taken over, large segments of the population are forced onto marginal lands or the slums of megacities. Slum dwellers meanwhile form a vast stagnant surplus population that competes ruthlessly in an informal sector marked by rising labor intensification and declining incomes due to a steady inflow of

dispossessed peasants (M. Davis 2007, 181-2).<sup>86</sup> Mocking the crude metaphors of neoclassical economics, Araghi replaces the “invisible hand” with a “visible foot” (2009, 111-12) to expose the political project behind the actions of multinationals, which has “led to the creation of a massive reserve army of migratory labour” (2009, 134). The payoff is the existence of a surplus population that is essentially inexhaustible, with fringe benefits that accrue not only to international capital but also to networks of indigenous subcontractors, which, increasingly, form an important buffering layer between multinationals and the manufacturing process itself (Appay 1998; Bronfenbrenner and Luce 2004; Ross 2004; Lichtenstein 2007).

At the same time, workers in mature capitalist countries are certainly impacted by the internationalization of production but hardly in ways that support jingoistic claims of, for example, “stolen jobs.” A poignant example is the contemporary trade relationship between Mexico and the U.S. The human tragedy in this network of subordination is most clearly exemplified by the large pool of undocumented migrants precariously drifting across the country in response to muted labor market signals.<sup>87</sup> The very existence of this pool of workers presupposes a coordinated set of policies and economic relationships favorable to the dominant country. In this case, a combination of strategic

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<sup>86</sup> Recent work indicates that slum dwellers average almost 54 percent of the urban population of underdeveloped nations and the global slum population is expected to double by 2030, reaching 2 billion (K. Ahmad 2009, 26, 200).

<sup>87</sup> The horrific conditions of migrant laborers in certain other countries are simply beyond belief. In Qatar, where migrant workers compose 94 percent of the workforce, the “practice of passport confiscation, primarily designed to further discourage workers from quitting jobs without permission,” is “near universal.” State protection is virtually non-existent: “Employers hold the power to cancel workers’ visas, register them as ‘absconders’ subject to detention and deportation, or deny them the exit visas required to leave the country” (Human Rights Watch 2012, 4).



economic control passively enforced through trade agreements<sup>88</sup> and Kafkaesque immigration policy ensure the creation and reproduction of a mobile stagnant surplus population primed to accept a much higher rate of exploitation than the existing population.

It is no surprise that workers in this layer receive very low relative wages. Much more important in this context is the power of producers to impose an extremely intensive labor process on workers, which is grimly reinforced by the threat of deportation (Guskin and Wilson 2007, 113-14; Harris 2013). Undocumented workers are especially vulnerable during economic downturns because of increased state enforcement and, as a favorite scapegoat of right-wing pundits, recrimination from the domestic unemployed. Since the Great Financial Crisis of 2007–08, “net migration flow from Mexico to the United States has stopped and may have reversed” (Passel, Cohn, and Gonzalez-Barrera 2012); and between October 2007 and February 2012, nearly two million individuals were deported from the United States (ICE 2012; also see Bacon 2008).

The reality, of course, is that this “reserve army of migratory labour” (Araghi 2009, 134), no less than internal reserve armies sprinkled unevenly across the U.S. and non-migratory reserve armies elsewhere, have gradually and imperceptibly restructured employment relations at a fundamental level. Cheaper commodities and services have actually served to *soften* reductions in the living standards of U.S. workers as their own real wages have been falling for decades. The dictates of monopoly capital, which impelled these movements in the first place, also ensure that there can be no

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<sup>88</sup> Note that the highly mechanized (and highly subsidized) agricultural base of the U.S. can be used as a wedge to free layers of the latent surplus population of neighboring countries, by flooding them with cheap agricultural commodities (Blatt 2008, 13).

unproblematic return to the times of old. Consider, for example, that a recent bump in U.S. manufacturing employment, christened by celebrants as a wave of “reshoring” (Leunig 2011), has been hampered by employment shortfalls. This seems odd given that the work also demands relatively high skill requirements. Incidentally, the starting hourly wages typically hover at a meager ten dollars an hour, meaning that a starting job at McDonalds currently pays over fifty percent more per hour than the running of a CNC (computer numerical control) machine in a newly reshored factory (Sirkin, Zinser, and Hohner 2011; Sirkin, Zinser, and Rose 2012; Davidson 2012).<sup>89</sup>

From this standpoint it is utter folly to accept explanations that lay blame at the feet of migratory or foreign workers—workers who obviously have *absolutely no control* over the choices of multinational corporations. The purpose of confusing the pattern causation is to deflect attention from the actual source of declining wages and worker precariousness, for this strikes to the very heart of the contemporary process of accumulation, which is typified by the internationalization of production and the systematic integration of massive global labor reserves (Ahearn 2012; Gereffi 2005; Harrison and McMillan 2011; J. Smith 2010).<sup>90</sup>

The result of the growth and development of multinational corporations is that workers now necessarily compete not only with machinery and with the domestic

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<sup>89</sup> This is yet another piece of evidence indicating that employment shortfalls have nothing whatsoever to do with a supposed “skills shortage.”

<sup>90</sup> “The world of work...has lived through a double-edged process: on the one hand...in the advanced-capitalist countries.... there has been a reduction in traditional industrial labour. On the other, there has been a significant *sub-proletarianisation* of labour, as a result of the numerous forms of part-time, precarious, tertiarised, subcontracted, informal labour and so on. Labour has therefore become more *heterogeneous, complex and fragmented*” (Antunes 2012, 202).

unemployed: divide and rule tactics mean they also find themselves in competition with those amongst their numbers who belong to the *most precarious layer* of workers, *wherever they may exist* in the world economy. Bourdieu gave voice to the stark reality of today's disposable reserve army with a characteristic mélange of passion and rigor:

The practical instituting of a Darwinian world in which the springs of commitment to the job and the company are found in insecurity, suffering and stress would undoubtedly not succeed so completely if it did not benefit from the complicity of the destabilized habitus produced by insecurity and the existence—at all levels of the hierarchy, even the highest, especially among executives—of a reserve army of labor made docile by insecure employment and the permanent threat of unemployment. The ultimate basis of this economic order placed under the banner of individual freedom is indeed the *structural* violence of unemployment, of insecure employment and of the *fear* provoked by the threat of losing employment. The condition of the 'harmonious' functioning of the individualist micro-economic model and the principle of individual 'motivation' at work lie, in the final analysis, in a mass phenomenon, the existence of the reserve army of the unemployed. (Bourdieu and Nice 1999, 98, emphasis in original)

The extent of political, and often military, power wielded by multinational corporations is undoubtedly real. The wake of nightmarish social and ecological devastation trailing multinationals from the Niger Delta to Alaska proves this amply (Rosenau et al. 2009). However, it would be an error to assume multinationals are somehow able to circumvent the contradictions of monopoly capitalism. The

development of the global reserve army of labor, which is necessarily accompanied by mass unemployment, falling wages, increasing work intensification, and the generalization of worker precariousness (Fröbel, Heinrichs, and Kreye 1978, 846-47), means that the narrow consumption basis of accumulation only narrows further. Even though the consuming power of the working class is never sufficient on its own to sustain continued accumulation, the narrow range of political options available under the regime of monopoly capital portends deeper economic crises and greater instability (Cowling 2005; Foster and McChesney 2012).

CHAPTER IX  
CONCLUSION:  
RENEWING POLITICAL-ECONOMIC SOCIOLOGY

From the moment we asked why unemployment existed at all contradictions in the typical narratives surrounding unemployment became evident and began to multiply. The persistent anomalies that have emerged suggest that mainstream economics is mired in a degenerative stage of development that threatens to overwhelm the existing neoclassical paradigm. The present treatment of unemployment has attempted to develop a positive refutation of the limitations of mainstream economic theory, and thus provide a basis for economic sociologists to make a complete break from the paradigm of neoclassical economics. We argued that such independence was not only possible, but necessary in light of the fact that the sociology itself was constructed as a subordinate component of marginalist or neoclassical economic thought. Early marginalist thinkers accomplished this feat by artificially separating economic and social theory, constructing analysis of the economy as the purely objective realm of ‘economics’ proper. Consequently, sociologists face serious obstacles in the analysis of unemployment beyond its most superficial dimensions.

In response to these difficulties we drew on the most significant competing paradigm, political-economic sociology, which traces its roots to classical sociological theory. Indeed, political-economic sociology initially evolved at an impressively rapid pace—an indication of its inherently progressive character. However, as its connection to radical

political economy weakened—exemplified by the disappearance of the holistic viewpoint once associated with social structure of accumulation (SSA) theory—political-economic sociology began to lose some of its strength. Although Marx’s theory of the reserve army formed the foundation of the SSA model, there were also significant limitations to new interpretations constructed by radical political economists. These limitations became more evident as the tie between political-economic sociology and radical political economy continued to weaken.

Some of these weaknesses became clearer after reviewing the important work Post-World War II social scientists, whose substantial criticisms of existing unemployment measures had largely been forgotten. Their attempts to resolve the anomalies of mainstream economic analyses ultimately produced labor force concepts that were more critical than many of those used today. This made the true scale of the potential labor force, a part of the reserve army of labor, more apparent; it also exposed how disastrously inadequate the postwar economy was at absorbing even the mass of visibly unemployed. Some analysts took the next logical step of developing a theoretical framework within which to interpret the increasing extent of underemployment, unemployment and poverty. This work drew specifically upon the sociological components of Marx’s approach, thus highlighting the fact that important dimensions of the concept of the reserve army had been neglected.

In an attempt to strengthen earlier efforts, a core component of the present analysis involved careful reconstruction of the classical reserve army approach developed by Marx. A particularly important part of this effort was elaboration of Marx’s sociological categorization of the layers of the surplus population, which clarified the structural link

between the pattern of accumulation and the character of wage work (and non-work). This provided a strong theoretical basis for addressing the three anomalies of unemployment—persistent unemployment, jobless recoveries and worker precariousness. To fully resolve the anomalies, however, it was necessary to expand upon Marx’s discussion of concentration and centralization by reviewing important historical developments. In the process, numerous links emerged between the classical reserve army approach and the theory of monopoly capital—a current within radical political economy that is less fashionable in the academy in the United States today than in the past (largely because of its role as *public* sociology), but that has continued to turn out a rich body of political-economic analysis with enormous global influence. This led to a focus on economic stagnation—a contradiction associated specifically with the new phase of accumulation marked by the ascendance of the giant corporation. In this situation, the power of capital over labor increases tremendously, yet, at the same time, the tendency toward stagnation greatly reduces the capacity of capital to rejuvenate itself through crisis via the destruction or devaluation of capital (Clarke 1994, 189). Workers bear the brunt of these economic contradictions but their suffering does not ultimately resolve the tendency toward stagnation, which is why slow growth and high unemployment continue to plague the economies of mature capitalist countries even as labor costs plummet (Lange 2013).

#### **A. Can the Reserve Army of Labor be Abolished?**

Toward the end of his life Harry Braverman (1998, 323) asked a poignant rhetorical question: “If the captains of industry win their war, as Marx put it, by discharging armies, how do we know that the rapidity of the accumulation of capital will keep up...[and]

develop rapidly enough to absorb all of the labor freed by the capitalist drive for higher productivity?” Braverman went on to explain that capitalism habitually reproduced an industrial reserve army of labor and all indications suggested that it would continue to grow at an increasing pace. Today’s enormous disposable reserve army of labor, symbolized on the one hand by mass unemployment and on the other by massive inequality, is, as Braverman suggested, the bitter fruit of capital’s victories and provides ample evidence in support of the continuing relevance of his question quoted above.

This necessarily raises the issue of the abolition of the reserve army. What would it mean for capitalism? Is it even possible? Marx obviously believed that the reserve army was indispensable under capitalist social relations. Indeed, he thought the reserve army was the secret to defeating capital once and for all because it provided the strongest basis for general political action:

The political significance of the general law does not lie...in any belief on Marx’s part that pauperism breeds revolution, for Marx was quite clear that pauperism bred degradation and demoralisation. The political significance of the law lies in its generality, the fact that every worker is subject to the same law, since every worker is, from the point of view of capital, merely a part of the common mass of disposable labour power, facing competition from other workers, and the constant threat of expulsion into the reserve army. (Clarke 1994, 251)

The preceding analysis provided extensive support for the view that elimination of the reserve army is highly unlikely under capitalist social relations, but makes no attempt to account specifically for organized efforts (or lack thereof) to resist or reform the system. Clearly, a comprehensive assessment of viable political alternatives to stagnation and



mass unemployment is obviously beyond the scope of the present study. However, if even a brief consideration of alternatives is possible, by way of conclusion, it will be well worth our while considering that the intensity of the contradictions associated with the reserve army have increased sharply since the Great Financial Crisis of 2007-08. The preferred response to global economic crisis and mass unemployment has become mass austerity—an astonishingly cruel and unjust practice that has thoroughly confused many liberal observers. Far from softening in the face of bitter mass mobilizations, the drive to impose austerity has actually intensified. To provide some context for these developments we use the monopoly capital-reserve army framework developed above to evaluate critically two dominant narratives surrounding unemployment. The first constructs automation as the job killer par excellence, while the second postulates Keynesian full employment as a viable alternative to stagnation. The importance of these narratives (and others like them) arises from their capacity to paint a seductively uncomplicated picture of contemporary unemployment, which means they strongly frame the majority of discussions and prevent more thoroughgoing responses.

### *1. The ‘Player Piano’ Thesis*

There are numerous variations of the technological unemployment argument. The version we are concerned with here can be described as the “player piano” thesis, so named after Vonnegut’s (2006) novel of the same title. The argument is straightforward: especially with the widespread use of computers, automation eliminates jobs regardless of changes in labor force characteristics (emphasized in the New Classical variant discussed in 0)—a clear case of technological unemployment. In Vonnegut’s dystopian city the production facilities buzz on endlessly without human interference (save two or

three overseers); an impenetrable river segments the human population, forced to live on handouts, from its means of production; permanently displaced, and in a confused search for meaning, the inhabitants yearn for the past—sardonically, they dream of the very time when they labored themselves out of useful existence. Rifkin evokes many of the central themes of the player piano thesis (2004, 194-5 for example). In *The End of Work* he predicted that “in the United States alone...more than 90 million jobs in a labor force of 124 million are potentially vulnerable to replacement by machines.” Rifkin reached this conclusion by noting that at least three quarters “of the labor force in most industrial nations engage in work that is little more than simple repetitive tasks”—tasks that “automated machinery, robots, and increasingly sophisticated computers” are highly likely to render obsolete in the near future (2004, 5).

The argument is, of course, not new (Bix 2002) but, despite gratuitous use of sensationalism to mass market his ideas (V. Smith 2006) and a relatively superficial understanding of international patterns of production (Appay 1998, 164), Rifkin does expose important contradictions of capitalist production.<sup>91</sup> The viewpoint recently gained considerable credibility after the publication by two MIT business professors of *Race Against the Machine* (Brynjolfsson and McAfee 2011). Soon after Krugman discovered the “capital bias” of technology (2012c) and its “potential” connection with monopoly (2012e; 2012d), causing him to raise the specter of the “old-fashioned...Marxist sort of discussion” that pits capital against labor (2012f).

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<sup>91</sup> However, see Sweezy (1957, 27-36) for a much more sophisticated early analysis of the trend toward automation.

From a monopoly capital-reserve army perspective there are numerous problems with narrowly reducing the problem of unemployment to inexorable technological change. It cannot be denied that automation is a continuous process under capitalist social relations but this has been true from the start. Consequently, Marx predicted that newer branches of production, “particularly in the field of luxury consumption,” would tend to take the “relative surplus population as...[their] basis” because of the “cheapness and quantity of available or dismissed wage-labourers and of the greater resistance that many branches of production, by their nature, oppose to the transformation of manual work into machine production” (1991, 3:343-4, emphasis added). In other words, there is always a tendency toward reducing labor content, particularly in the manufacturing sector, but this stimulates the incorporation of labor into new sectors, which are often more wasteful or socially unproductive. As Huberman and Sweezy argued in response to similar claims about automation long ago, as this relative surplus population grows, “the frantic search for profits drives the great corporations which dominate the American economy to create, directly and indirectly, other areas of employment—in salesmanship, entertainment, speculation (legal and illegal), personal service, and so on.” While this process is not “rapid or vigorous enough to prevent the steady rise of unemployment,” they continued, “...it does brake the rise of unemployment” (“Editors' Foreword” in Boggs 1963, 11).

The connection here to the growth of “service sector” in countries such as the U.S., and particularly the *inherently precarious* nature of this new sector, should be obvious. As two astute early observers pointed out: “The growth in large-scale commercial services...represents a shift from self-employed small shopkeepers to wage and salary employment and therefore to a status which, by and large, is more precarious so far as

attachment to a source of income is concerned” (Weintraub and Magdoff 1940, 305).

This was due in part to the fact that “the employment prospects of well over half of the people... [in] the service industries...are directly linked to the economic fortunes of the commodity-producing industries” (pp. 311-12).

Marx also highlighted the contradictory nature of technological advance (see 1977, 1:515-6) noting, as Martin Nicolaus explained, “that there are counter-tendencies which prevent mechanization and automation from advancing beyond a certain limited point, under capitalism” ('Foreword' to Marx 1993, 51-2; Harvey 2006). One need only think from the perspective of a capitalist, say, in Bangladesh running a clothing factory. In this hypothetical factory the wage rate is so low that labor power actually competes with machinery. The owner never dreams of purchasing more advanced machinery to displace workers (as distinct from simply replacing worn out capital) because it would be more expensive than simply hiring additional workers. As Marx (1977, 1:515) aptly summarized the point: “less labour must be expended in producing the machinery than is displaced by the employment of that machinery.” Moreover, if labor saving machinery was purchased, displacing a given amount of workers and reducing the wage bill, the owner would be compelled to use that machinery to its fullest extent—for when it is idle, money is lost. Unfortunately, clothing production is highly seasonal and while workers can be laid off during down times, machinery cannot yet it is still a cost of production. It should be obvious that as production systems grow in size and complexity the cost of idle capacity grows appreciably (also see Chapter VIII.C.1 above). Indeed, the illogical and insidious nature of technological change under capitalist social relations only heightens under conditions of monopoly. Thus, theorists of monopoly and oligopoly over fifty years

ago predicted a carefully controlled process of technological innovation—far slower than what was possible—and highlighted its often negative effect on accumulation, hence growth, in the face of already massive idle capacity (Sylos-Labini 1969, 167; Baran and Sweezy 1966, 91-104).<sup>92</sup> “It is not productivity that creates the problem,” Sweezy and Magdoff explained, “*it is the fact that production does not keep pace with and overtake the rise in productivity*. The failure of the private economy as a job-producer is a failure—despite valiant prime-pumping efforts—to invest enough capital and grow sufficiently to keep pace with growing productivity and a growing labor force” (Sweezy and Magdoff 1972, 20-1).

While the discussion above only scratches the surface it should be obvious that key dimensions of technological unemployment are simply left out or inadequately understood. Automation is exceedingly more complex than most investigators assume because they ignore the fact that it must conform to the exigencies of capitalist production (see Fracchia 2008). Instead, technology is treated as a blind force independent of social and political processes. This gives a hopelessly misleading picture of the problem of technological unemployment—and no less potential solutions, as we shall see in the context of discussions of full employment.

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<sup>92</sup> Recent observers who have rediscovered this tendency of monopoly have pointed out that it contradicts the player piano thesis. Struggling to explain the behavior, they have introduced yet another anomalous term into the lexicon of economics: “technology stagnation.” This describes a situation in which “technology begins to threaten return on capital, mostly by causing the sort of abundance that depresses prices to the point where many goods have no choice but to become free.” As a result, “incumbent interests [i.e., monopolists] now have the biggest incentive ever to impose artificial scarcity, which is stopping the speed of innovation” (Kaminska 2012).

## 2. *The Mirage of 'Full Employment'*

While the apologists for capital abandoned any pretention to full employment long ago, a number of liberal analysts have attempted to theorize the possibility of full employment under existing institutional arrangements—some more critically (Pollin 2012) than others (Moore 1996; Mishel, Schmitt, and Shierholz 2013; Mishel et al. 2012). In the context of massive underutilization of labor and declining investment it is quite natural to speculate on the possibility of full employment. Yet few analysts seriously consider the broad implications of a full employment policy in the context of the existing structure of power. As a result, many of the same contradictions that arose in the analysis of automation and technological unemployment reappear in this narrative.

Even though a full employment policy would (theoretically) improve the tendency toward stagnation, elimination of the reserve army exposes class contradictions that strike the very heart of the system. “The maintenance of full unemployment,” Kalecki famously argued, “would give a new impetus to the opposition of business leaders”:

‘The sack’ would cease to play its role as a disciplinary measure. The social position of the boss would be undermined and the self-assurance and class consciousness of the working class would grow. Strikes for wage increases and improvements in conditions of work would create political tensions.... The rise in wage rates resulting from the stronger bargaining power of the workers is less likely to reduce profits than to increase prices.... *But ‘discipline in the factories’ and ‘political stability’ are more appreciated by the business leaders than are profits.* Their class instinct tells them that lasting full employment is unsound

from their point of view and that unemployment is an integral part of the normal capitalist system. (1972, 78, emphasis added)

Noble (2011) provided a convincing demonstration of this principle in a thorough study of the conflict between technology and worker autonomy at General Motors (also see Zuboff 1988). “It is a common confusion,” Noble explained, “that capitalism is a system of profit-motivated, efficient production. This is not true, nor has it ever been.... The goal has always been domination (and the power and privileges that go with it) and the preservation of domination.... Always, behind all the careful accounting, lies the threat of force” (2011, 321). As a result, the production processes favored by management invariably tend toward the elimination of, and/or intense supervision over, labor. Moreover, it makes no difference when more equitable arrangements—which may in some cases include the employment of more workers or a shortening of the workday—are shown to be more efficient and profitable. “The managerial contradictions inherent in the use of capital intensive technology,” Noble explained, “are embedded within the larger contradictions of capitalist production.” Capitalists obviously hold on tightly to their capacity to maintain control over labor power in production: But why?

The answer is that it is upon this basis that their social and political power rests (Harvey 2010a, 58; Mészáros 1995, 733). As Noble discovered, the limits of the pilot programs in worker participation at General Motors were ultimately “determined by a consideration far more fundamental than that of profitable production, namely, the preservation of class power” (2011, 318-23). This is precisely why full employment would be nothing short of a disaster, as it would add crucial force to worker demands.

Workers would, in effect, hold the “lever of accumulation” in their own hands. Since capitalists, and especially monopoly capitalists, will most assuredly use the full force of their own political power to attack reforms considerably more modest than full employment, it would take nothing less than outright rejection of the existing power structure to achieve.

“In this situation,” Kalecki (1972, 82-3) concluded rather more realistically, “a powerful bloc is likely to be formed between big business and the rentier interests, and they would probably find more than one economist to declare that the situation was manifestly unsound.” Kalecki would hardly have been surprised to learn that academic economists loudly amplified the “voices of the rentier interests” in their calls for austerity and paltry financial reform in the wake of the Great Financial Crisis of 2007-08, while largely failing to report their private financial affiliations (Carrick-Hagenbarth and Epstein 2012, 59).

## **B. Ideology and Social Science**

Reflecting on the possible reason why the austerity agenda has maintained its force despite “the intellectual collapse of the austere position,” Krugman recently asked, “To the extent that we have policy of the 1 percent, by the 1 percent, for the 1 percent, won’t we just see new justifications for the same old policies?” “I hope not,” he answered, “I’d like to believe that ideas and evidence matter, at least a bit. Otherwise, what am I doing with my life?” (Krugman 2013). Even though sociologists tend to be less sanguine than economists about the potential impact of their academic work upon the those in power, Krugman’s admission should be striking—if only because it is coming from a highly regarded mainstream economist.



However, in the context of our previous discussion of the origins of modern economics and sociology it should come as less of a surprise. “The deepest problem of economics,” Heilbroner (1988, 42) observed, is “its failure to recognize the inescapably ideological character of its thought.” This ideology, marginalism, or neoclassicism (as it is now called), was forged in struggle and because it faithfully represents the vantage point (and interest) of a specific social class it “*must necessarily remain in ignorance of the objective economic limitations*” of the system of production it has posited as natural and eternal (Lukács 1971, 64). In other words, the contradictions inherent to neoclassical economics are an expression of the antagonistic character of capitalist social relations, which it serves to justify. As systemic crisis intensifies, crashing up against the boundaries of this limited worldview, we should expect more and more economists to look on in bewilderment, as Krugman does.

The need for critical social science independent of mainstream economics is clearly indispensable in such a context. Sociologists, at least, have the option to draw on more critical traditions, such as political-economic sociology, and we have attempted to provide some support for this effort. For the sake of the hundreds of millions of unemployed worldwide, we hope that work in this tradition, and others like it, strengthen and find political traction.

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